

House Homeland Security Committee
Subcommittee on Counterterrorism and Intelligence

State Sponsors of Terrorism: An Examination of Iran's Global Terrorism Network

DR. EMANUELE OTTOLENGHI

Senior Fellow
*Foundation for Defense of Democracies,
Center on Sanctions and Illicit Finance*

Washington, DC
April 17, 2018

INTRODUCTION

Chairman King, Ranking Member Rice, thank you for the opportunity to testify on behalf of the Foundation for Defense of Democracies and its Center on Sanctions and Illicit Finance.

Since its establishment, the Islamic Republic of Iran has viewed Latin America as a fertile ground for the export of its revolution. Tehran wants the Western Hemisphere to become a hotbed of anti-Americanism and a forward operating base for Iran. To this end, over nearly four decades, Tehran has built a network of mosques and cultural centers across the region. It aggressively expanded its base of supporters and sympathizers by dispatching itinerant preachers, who have successfully converted and radicalized thousands of Latin Americans to Iran's version of Shi'a Islam. Iran has also helped Hezbollah establish itself as the dominant force among expatriate Shi'a Lebanese communities in the region. Hezbollah clerics and emissaries have taken control of their religious and communal institutions such as mosques, schools, cultural associations, and youth movements.

Where and when needed, these networks can also be activated to provide logistical and financial support to operatives engaged in planning terror attacks, safe haven for fugitives, and a source of revenue and illicit procurement for both the Iranian regime and Hezbollah itself.

In recent years, Hezbollah's Latin American networks have also increasingly cooperated with violent drug cartels and criminal syndicates, often with the assistance of local corrupt political elites. Cooperation includes laundering of drug money; arranging multi-ton shipments of cocaine to the United States and Europe; and directly distributing and selling illicit substances to distant markets. Proceeds from these activities finance Hezbollah's arms procurement; its terror activities overseas; its hold on Lebanon's political system; and its efforts, both in Lebanon and overseas, to keep Shi'a communities loyal to its cause and complicit in its endeavors.

This toxic crime-terror nexus is fueling both the rising threat of global jihadism and the collapse of law and order across Latin America that is helping drive drugs and people northward into the United States. It is sustaining Hezbollah's growing financial needs. It is helping Iran and Hezbollah consolidate a local constituency in multiple countries across Latin America. It is thus facilitating their efforts to build safe havens for terrorists and a continent-wide terror infrastructure that they could use to strike U.S. targets.

It would be a mistake to view these networks as peripheral to Hezbollah or even connected to it only by virtue of their members' origins and the sympathy some of them may feel for Hezbollah and its cause. Equally, this is not solely a challenge for law enforcement agencies. Reliance on criminal activities to generate revenue is integral to Hezbollah's modus operandi and forms a substantial part of its operating budget. It enjoys the full support and oversight of its leadership. Nearly two decades of sanctions and law enforcement investigations that led to successful indictments, primarily from U.S. court cases prosecuting Hezbollah operatives involved in a variety of criminal activities, show that Hezbollah's networks are equal part crime and terror.

Operatives dispatched to Latin America to run drug smuggling, gun running, and money-laundering activities often stem from the Business Affairs Component (BAC) of Hezbollah's External Security Organization (ESO), a unit inside the terror group also referred to as the Islamic

Jihad Organization (IJO). Its members are trained for both terror operations and economic warfare and engage simultaneously in both activities. Their economic activities – which include trade-based money laundering and the laundering of illicit proceeds through real estate – are in and of themselves a threat to the integrity of the U.S. financial system.

Hezbollah facilitators use methods that are typical of trade-based money laundering techniques – such as over- and under-invoicing, misstating items of merchandise, their weight, and value – in order to move money across continents. They use U.S. registered commercial vectors to transport their merchandise. In addition to smuggling drugs inside the United States and plotting attacks on U.S. targets inside the United States and overseas, Hezbollah's illicit finance networks often use U.S.-based front companies, launder money through U.S. banks, and invest in the U.S. real estate sector to support their terror finance schemes. They therefore constitute a threat to homeland security.

This makes Hezbollah, its senior leadership, and its numerous operatives involved in running illicit drug trafficking and money laundering operations on a global scale, the perfect candidates for Kingpin and Transnational Crime Organization designations, in addition to the terrorism and terror finance designations already in place.

Developing a strategy to combat this growing risk to the American homeland needs to be a U.S. policy priority. The United States cannot continue to combat a threat of such magnitude, without first recognizing the Hezbollah terror-crime nexus and then leveraging all its tools of statecraft in a combined, sustained, and coordinated fashion. My recommendations, discussed more at length at the end of this testimony, are:

- **UPDATE EXISTING SANCTIONS AGAINST HEZBOLLAH TERROR FINANCE NETWORKS**
- **TARGET ENABLERS WITH GLOBAL MAGNITSKY AND THE HEZBOLLAH INTERNATIONAL FINANCE PREVENTION ACT**
- **SANCTION HEZBOLLAH AND ITS SENIOR LEADERSHIP WITH TRANSNATIONAL CRIMINAL ORGANIZATION AND KINGPIN DESIGNATIONS**
- **IMPOSE 311 DESIGNATIONS ON FINANCIAL INSTITUTIONS ASSISTING HEZBOLLAH IN LATIN AMERICA**
- **EMPOWER LAW ENFORCEMENT TO GO AFTER HEZBOLLAH'S GLOBAL FINANCIAL NETWORKS**
- **PROVIDE ADDITIONAL RESOURCES TO INTELLIGENCE AND LAW ENFORCEMENT AGENCIES DEPLOYED IN LATIN AMERICA**
- **PROVIDE ADDITIONAL RESOURCES TO TREASURY**

- **TARGET FINANCIAL HOLDINGS AND FINANCIAL INSTITUTIONS USED BY HEZBOLLAH TO MOVE MONEY TO AND FROM LATIN AMERICA**
- **BUILD LOCAL CAPACITY WITH REGIONAL ALLIES**
- **IMPROVE CONTROLS AT PORTS OF SHIPMENT TO AND FROM LATIN AMERICA**

HEZBOLLAH'S TERROR-CRIME NETWORK AND THE THREAT TO THE HOMELAND

A survey of cases prosecuted against Hezbollah operatives in the past two decades shows that the terror group remains a threat to the security of the U.S. homeland and the integrity of its financial system. Iran and Hezbollah sought to carry out high casualty attacks against U.S. targets multiple times. Additionally, they built networks they used to procure weapons, sell drugs, and conduct illicit financial activities inside the United States. These cases highlight a number of important elements we must consider when thinking about U.S. responses to Hezbollah's threat in the Western Hemisphere:

- Its networks are malleable and flexible – capable of engaging in trade-based money laundering, sophisticated investment schemes, ruthless violence, arms procurement and social services at the same time.
- By leveraging political support and familial ties among expatriate communities, Hezbollah ensures provision of material support and services to their operatives, thanks to the complicity of local facilitators, many of whom, while not fully enlisted inside Hezbollah, are loyal supporters.
- This type of local support structure ensures the operatives' ability to obtain a second citizenship, gain access to cash, have a plausible cover while plotting operations, enjoy impunity from the law through influential connections to local political elites and a well-greased corruption machine to buy off customs, border authorities, police, judges and prosecutors, prison guards and politicians.
- As a result, operatives blend in; they nestle within existing expatriate communities; they find spouses; and set up seemingly legitimate businesses, acquiring permanent residency and citizenship in the process – all attributes that are part of their cover story.
- Hezbollah networks are not just operating to support Hezbollah's activities but also to aid Iran's operational and procurement needs – including helping to plot terror attacks, procure weapons, and sell counterfeited passports and currency.
- Most importantly, Hezbollah overseas networks are largely self-reliant yet wholly integrated in a hierarchical structure that goes all the way to the top echelons of the terror group's leadership.

Nearly two decades of experience confronting Hezbollah through sanctions and prosecutions offer important lessons on best practices as well as mistakes that must now be rectified. Iran and Hezbollah made at least three documented attempts to support, plot or conduct terror attacks on

U.S. soil in recent years – these are discussed in the next section. Their Latin America networks, however, have mainly been dedicated to terror finance.

HEZBOLLAH’S AND IRAN’ ATTEMPTS TO TARGET THE UNITED STATES

Last year, U.S. law enforcement agencies captured two Hezbollah operatives. They stand accused of casing targets for possible future terror attacks. Samer El Debek and Ali Mohammad Kourani were both indicted in the Southern District of New York, in May of 2017.¹ Both naturalized U.S. citizens, El Debek and Kourani were members of Hezbollah’s ESO. Trained in the use of firearms, assault weapons and explosives, they fulfilled multiple tasks on Hezbollah’s behalf while in the United States. For example, in 2009, Kourani travelled to Guangzhou, China to procure ammonium nitrate-based First Aid ice packs, made by the same manufacturer of those later seized in connection with thwarted Hezbollah terror attacks in Thailand and Cyprus. El Debek’s handlers dispatched him to Thailand that same year to dispose of ammonium nitrate – likely the load Kourani procured in Guangzhou – that was left behind in a safe house in Bangkok, which they believed was now compromised.

While they lived in the United States, both operatives travelled back to Lebanon to undergo extensive military training. El Debek was later dispatched to Panama to learn Spanish and conduct surveillance and information gathering on possible attack targets, which included the U.S. embassy and the embassy of Israel in Panama, and the Panama Canal. He entered and exited Panama through Colombia, where he stayed for four days – possibly to get instructions from local Hezbollah agents. El Debek also surveyed potential targets in the United States, including New York’s John F. Kennedy and La Guardia airports and the U.S. Armed Forces Career Center in Queens, New York. Kourani was instructed to and sought to procure night-vision equipment and drone technology.²

This is not the first time that U.S. law enforcement agencies uncover Iranian backed conspiracies to target the United States, such as the failed 2007 plot to blow up the fuel tanks at New York’s JFK.³ The plot’s ringleader was Abdul Kadir, a Guyana politician-turned Islamic radical. Reports suggest that Kadir had connections to Iran. On the same year his plot was disrupted, Kadir had been in contact with the head of a pro-Iranian Islamic charity in São Paulo, Brazil, Sheikh Taleb al-Khazraji. Alberto Nisman, the slain Argentine prosecutor who investigated the 1994 bombing of AMIA, the Buenos Aires Jewish cultural center, named Kazraji in 2013 as an agent of the government of Iran in Brazil. Kadir, according to Nisman, had also been in contact with Mohsen Rabbani, the Iranian cleric who founded Iran’s religious outreach program in Latin America by moving to Buenos Aires in 1982 to run a local Shi’a mosque. Rabbani eventually became the cultural attaché of Iran’s embassy in Buenos Aires, a few months before the bombing. Rabbani is

¹ Indictment, *United States v. Samer El Debek*, No. S(1) Cr. 04154 (MAG), (S.D.N.Y 2017). (Accessed via Pacer); Indictment, *United States v. Ali Mohamad Kourani*, No. S(7) Cr. 417 (AKH), (S.D.N.Y 2017). (Accessed via Pacer)

² In a more recent, February 2018 indictment, two additional Hezbollah procurement agents based in South Africa were arrested and indicted for procuring drone technology on Hezbollah’s behalf.; First Superseding Indictment, *United States v. Usama Darwish Hamade and Samir Ahmed Berro*, No. S(7) Cr. 237 (MJD – BRT) (D. Minn 2015). (Accessed via Pacer)

³ The United States Attorney’s Office for the Eastern District of New York, Press Release, “Four Individuals Charged in Plot to Bomb John F. Kennedy International Airport,” June 2, 2007. (<https://www.justice.gov/archive/usao/nye/pr/2007/2007jun02.html>)

wanted by Argentinian judicial authorities in conjunction with the bombing.⁴ Kadir is currently serving a life sentence in a U.S. prison.⁵

In 2011, Iran sought to strike again inside the United States. U.S. authorities thwarted a plot to blow up Café Milano, an upscale Italian restaurant in Washington DC, and assassinate the Saudi ambassador to the United States, when the Iranian operative in charge of organizing the attack sought the assistance of Mexican cartels.⁶ While the ambassador was the target, the attack, had it succeeded, would have likely caused mass casualties. Mansour Arbabsiar, an Iranian-American resident of Texas who ran a used car dealership as his day job, spoke to a U.S. informant inside the cartel who promptly passed the information to his handlers and helped foil the attack. Arbabsiar was eventually sentenced, in 2013, to 25 years in prison.⁷

THE CRIME-TERROR NEXUS

The Arbabsiar case was highly suggestive of a link between Iranian and Iranian-backed terror networks and organized crime. U.S. authorities became aware of Arbabsiar's plot while the U.S. Drug Enforcement Administration (DEA) was investigating a complex drug-trafficking and money laundering scheme involving Hezbollah operatives, the Medellín drug cartel known as *La Oficina del Envigado*, the Mexican *Zetas*, used car businesses in the United States, a Lebanese bank, and numerous other businesses located in Latin America and West Africa. (The network's kingpin was Seyed Ayman Joumaa, about whom more later). In that context, his outreach to people he thought worked for the Mexican *Zetas* was consistent with what DEA was investigating.

Eventually, DEA revealed the full extent of Hezbollah's terror-crime nexus and its centrality to Hezbollah's organizational structure in 2016, when it announced multiple Hezbollah arrests across Europe in an operation, codenamed Operation Cedar, involving seven countries.⁸ According to a former U.S. official familiar with the case, the targeted ring involved shipments of cocaine to Europe, which were paid for in Euros, and were then transferred to the Middle East by couriers. Hezbollah made more than €20 million a month selling its own cocaine in Europe. It also laundered tens of millions of Euros of cocaine proceeds on behalf of the cartels via the Black Market Peso Exchange, retaining a fee. During the arrests, authorities seized €500,000 in cash, luxury watches

⁴ "Rabbani, Mohsen," *INTERPOL*, accessed April 12, 2018. (<https://www.interpol.int/notice/search/wanted/2007-49960>)

⁵ Linette Lopez, "Dead Argentine prosecutor was zeroing in on a terror threat to the entire Western Hemisphere," *Business Insider*, March 20, 2015. (<http://www.businessinsider.in/Dead-Argentine-prosecutor-was-zeroing-in-on-a-terror-threat-to-the-entire-Western-Hemisphere/articleshow/46637922.cms>)

⁶ Superseding Information, *United States v. Mansour Arbabsiar*, No. S(1) Cr. 897 (JFK), (S.D.N.Y. 2013). (https://www.investigativeproject.org/documents/case_docs/2047.pdf)

⁷ The United States Department of Justice, Press Release, "Mansour Arbabsiar Sentenced in New York City Federal Court to 25 Years in Prison for Conspiring with Iranian Military Officials to Assassinate the Saudi Arabian Ambassador to the United States," May 30, 2013. (<https://www.justice.gov/opa/pr/mansour-arbabsiar-sentenced-new-york-city-federal-court-25-years-prison-conspiring-iranian>)

⁸ United States Drug Enforcement Administration, Press Release, "DEA and European Authorities Uncover Massive Hizballah Drug and Money Laundering Scheme," February 1, 2016. (<https://www.dea.gov/divisions/hq/2016/hq020116.shtml>)

worth \$9 million that Hezbollah couriers intended to transport to the Middle East for sales at inflated prices, and property worth millions.⁹

The raids led to the arrest of fifteen individuals, including prominent Hezbollah facilitators Mohamad Nouredine and Hamdi Zaher El Dine. Four days later, Treasury sanctioned Nouredine and Zaher El Dine. Referring to the sanctioned duo, then-Acting Under Secretary for Terrorism and Financial Intelligence Adam J. Szubin said, “Hezbollah needs individuals like Mohamad Nouredine and Hamdi Zaher El Dine to launder criminal proceeds for use in terrorism and political destabilization.”¹⁰ Treasury stopped short of explicitly identifying the two as Hezbollah members, but sanctioned them for providing material support to Adham Tabaja, whom Treasury sanctioned in 2015¹¹ alongside his company Al-Inmaa Group for Tourism Works and its subsidiaries.

DEA went further and identified a coherent, hierarchical structure inside Hezbollah that has been in charge of its illicit operations since as early as 2007. The DEA named it the BAC – an acronym for the Business Affairs Component of Hezbollah’s ESO. As stated in the February 2016 DEA press release, announcing Operation Cedar’s outcomes:

This global network, referred to by law enforcement as the Lebanese Hezbollah External Security Organization Business Affairs Component (BAC), was founded by deceased Hezbollah Senior Leader Imad Mughniyah and currently operates under the control of Abdallah Safieddine and recent U.S.-designated Specially Designated Global Terrorist (SDGT) Adham Tabaja. Members of the Hezbollah BAC have established business relationships with South American drug cartels, such as La Oficina de Envigado, responsible for supplying large quantities of cocaine to the European and United States drug markets. Further, the Hezbollah BAC continues to launder significant drug proceeds as part of a trade based money-laundering scheme known as the Black Market Peso Exchange.¹²

On that occasion, DEA also revealed Project Cassandra, a decade-long operation run through DEA’s Special Operations Division, which sought to stop Hezbollah from trafficking drugs into the United States and Europe. A December 2017 investigation by *Politico* revealed that the Obama administration derailed the DEA’s program to combat Hezbollah’s growing collusion with the drug cartels, letting this nascent threat morph into a global menace.

Most importantly, alongside Tabaja, DEA named Abdallah Safieddine as the head of the BAC. Safieddine is Hezbollah’s personal envoy to Tehran and the maternal cousin of Hezbollah

⁹ Information obtained from a former U.S. official familiar with the investigation. See also: David Asher, “Attacking Hezbollah’s Financial Network: Policy Options,” *Testimony before House Foreign Affairs Committee*, June 8, 2017. (<http://docs.house.gov/meetings/FA/FA00/20170608/106094/HHRG-115-FA00-Wstate-AsherD-20170608.PDF>)

¹⁰ U.S. Department of the Treasury, Press Release, “Treasury Sanctions Key Hezbollah Money Laundering Network,” January 28, 2016. (<https://www.treasury.gov/press-center/press-releases/Pages/j10331.aspx>)

¹¹ U.S. Department of the Treasury, Press Release, “Treasury Sanctions Hezbollah Front Companies and Facilitators in Lebanon and Iraq,” June 10, 2015. (<https://www.treasury.gov/press-center/press-releases/Pages/j10069.aspx>)

¹² United States Drug Enforcement Administration, Press Release, “DEA and European Authorities Uncover Massive Hizballah Drug and Money Laundering Scheme,” February 1, 2016. (<https://www.dea.gov/divisions/hq/2016/hq020116.shtml>)

Secretary General Hassan Nasrallah. His brother Hashem Safieddine, a cleric who sits on Hezbollah's Shura Council, is considered to be Nasrallah's successor. Treasury named Safieddine in 2011, when it identified the Lebanese-Canadian Bank as a "primary money laundering concern" as part of a range of actions taken by U.S. government agencies against the bank and the Seyed Ayman Joumaa network, which had been exposed for laundering drug proceeds for the *Oficina del Envigado*.¹³ According to Treasury, "Hizballah's Tehran-based envoy Abdallah Safieddine was involved in Iranian officials' access to LCB and key LCB managers."¹⁴

Though Treasury declined to sanction Safieddine in 2011, it implicated him in the largest Hezbollah drug trafficking and money laundering scheme exposed to date, confirming a direct link between Hezbollah and Latin American cartels. Naming him, five years later, as the kingpin of Hezbollah's global criminal operations underscores the fact that these operations enjoy the full support and supervision of the highest ranks in the organizational structure.

Cases implicating the BAC give a sense of the global footprint of Hezbollah's illicit activities and offer a glimpse into the size of these operations. They point to gaps and failures in the system that made U.S. actions less effective than they could have been. They also offer insights into possible next steps to improve the effectiveness of combined U.S. diplomatic, law enforcement, intelligence and sanctions efforts to disrupt and dismantle Iran's proxy terror networks in Latin America. Following is a timeline of Hezbollah court cases and designations since 2004, which expose the crime-terror nexus. The timeline begins with the initial U.S. Department of Treasury designation of Hezbollah financiers in the Tri-Border Area of Argentina, Brazil and Paraguay, or TBA. For readers' convenience, cases are listed by date of indictment or date of sanction.

2004-2006: Tri-Border Area Hezbollah Network Designations

In one of its earliest actions against Hezbollah's overseas operations, the U.S. Treasury sanctioned a large Hezbollah illicit finance network operating out of the Tri-Border Area (TBA) of Argentina, Brazil and Paraguay, in 2004¹⁵ and then again in 2006.¹⁶ Treasury cited their involvement in raising funds for Hezbollah, often through illicit finance and trade activities, as a key reason for sanctions. Treasury also indicated that Hezbollah's revenue generating activities in the TBA were not limited to trade-based money laundering but also included drug trafficking and trading counterfeit U.S. currency.

Treasury designations in 2004 and 2006 went after members of the Barakat and the Abdallah families, both prominent clans inside the Hezbollah leadership structure and in the TBA. The

¹³ U.S. Department of the Treasury, Press Release, "Treasury identifies Lebanese Canadian Bank SAL as a 'Primary Money Laundering Concern,'" February 10, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1057.aspx>)

¹⁴ U.S. Department of the Treasury, Press Release, "Treasury identifies Lebanese Canadian Bank SAL as a 'Primary Money Laundering Concern,'" February 10, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1057.aspx>)

¹⁵ U.S. Department of the Treasury, Press Release, "Treasury Designates Islamic Extremist, Two Companies Supporting Hizballah in Tri-Border Area," June 10, 2004. (<https://www.treasury.gov/press-center/press-releases/Pages/js1720.aspx>)

¹⁶ U.S. Department of the Treasury, Press Release, "Treasury Targets Hizballah Fundraising Network in the Triple Frontier of Argentina, Brazil, and Paraguay," December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>); U.S. Department of the Treasury, Press Release, "Treasury Targets Hizballah Financial Network," December 9, 2010. (<https://www.treasury.gov/press-center/press-releases/Pages/tg997.aspx>).

Treasury 2004 press release announcing sanctions against Assad Ahmad Barakat stated that Barakat had “close ties with Hezbollah’s leadership,” likely a reference to his brother Akram Barakat, Abdallah Safieddine’s deputy in the BAC and a member of Hezbollah’s Shura Council. That Hezbollah would dispatch such a senior figure to the TBA highlights the area’s importance for the terror group.

Unfortunately, after more than a decade, the lack of updating and expanding – let alone enforcing – these sanctions means that the original Hezbollah network is still largely intact and the TBA remains a hub of Hezbollah criminal activities.¹⁷ As the U.S. Department of State’s Bureau of International Narcotics and Law Enforcement Affairs’ 2018 International Narcotics Control Strategy Report recently noted, “multi-billion dollar contraband trade occurs in the Tri-Border Area (TBA) ... which is a base for counterfeiting, drug trafficking, and other smuggling offenses. Persons and businesses linked with the terrorist organization Hezbollah operate widely within the TBA.”¹⁸

2007-8: Operation Titan – the Case of Chekry Mahmoud Harb

Hezbollah’s intimate connection to Latin American drug cartels became known by coincidence when, in 2007, Colombian wiretaps meant to monitor *La Oficina del Envigado*, the Medellin cartel later named by DEA as a key partner to Hezbollah, picked up Arabic conversations traceable back to a man named Chekry Mahmoud Harb. DEA brought in an Arabic language expert who suddenly realized Hezbollah was arranging multi-ton shipments of cocaine to the Middle East while working with the Medellin cartel.¹⁹ The cartel employed four other Lebanese nationals along with Harb, who reportedly worked for Abdallah Safieddine.²⁰ This case, investigated and prosecuted as part of DEA’s Operation Titan, eventually became one of the sources of contention between the DEA and its U.S. intelligence agency counterparts.²¹ According to DEA officials quoted by *Politico*, “the Justice Department rebuffed requests by task force agents, and some of its prosecutors, to add narcoterrorism charges to the drug and money-laundering counts against Harb.”

¹⁷ I have discussed this problem at length in my previous testimonies in June 2016, May and November 2017. See Emanuele Ottolenghi, “The Enemy in our Backyard: Examining Terror Funding Streams from South America,” *Testimony before the House Committee on Financial Services*, June 8, 2016.

(<https://financialservices.house.gov/uploadedfiles/hhrg-114-ba00-wstate-eottolenghi-20160608.pdf>); Emanuele Ottolenghi, “Emerging External Influences in the Western Hemisphere,” *Testimony before the Senate Foreign Relations Committee*, May 10, 2017.

(https://www.foreign.senate.gov/imo/media/doc/051017_Ottolenghi_Testimony.pdf); Emanuele Ottolenghi, “Examining the Effectiveness of the Kingpin Designation Act in the Western Hemisphere,” *Testimony before the House Foreign Affairs Committee*, November 8, 2017.

(http://www.defenddemocracy.org/content/uploads/documents/11-08-17_Ottolenghi_Written_Testimony.pdf)

¹⁸ U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, “Annual International Narcotics Control Strategy Report Volume II – Money Laundering,” March 2018, page 44.

(<https://www.state.gov/documents/organization/278760.pdf>)

¹⁹ Chris Kraul and Sebastian Rotella, “Drug probe finds Hezbollah link,” *LA Times*, October 22, 2008.

(<http://articles.latimes.com/2008/oct/22/world/fg-cocainering22>)

²⁰ Jo Becker, “Beirut Bank Seen as a Hub of Hezbollah’s Financing,” *The New York Times*, December 13, 2011.

(<https://www.nytimes.com/2011/12/14/world/middleeast/beirut-bank-seen-as-a-hub-of-hezbollahs-financing.html>)

²¹ See Josh Meyer, “The secret backstory of how Obama let Hezbollah off the hook,” *Politico*, December 20, 2017.

(<https://www.politico.com/interactives/2017/obama-hezbollah-drug-trafficking-investigation/>). “An early flash point was Operation Titan, the DEA initiative in Colombia. After its undercover agent was compromised, DEA and Colombian authorities scrambled to build cases against as many as 130 traffickers, including a Colombian cartel leader and a suspected Safieddine associate named Chekry Harb, nicknamed El Taliban.”

In 2012, Treasury eventually moved to designate the key Colombian figure in the network, alongside five Lebanese implicated (including Harb), and two businesses associated with Harb – a clothing company in Colombia and a clothing store in Guatemala.²² Nevertheless, much like with the indictment, which ultimately did not include any reference to Hezbollah, Treasury did mention Harb's links to the terror group.

It was left to the media and the Colombian prosecutors to reveal the Hezbollah connection.²³

2009: The Hassan Hodroj Case

The 2009 indictment of Hassan Hodroj and nine other individuals linked to Hezbollah procurement networks sheds more light on Hezbollah's criminal activities, the extent of involvement in planning and supervising operations by senior leadership, and the intertwined nature of commercial activities, illicit procurement, and terror operations. Their base of operations was the Middle East, yet the case has an important Latin American connection – a key figure in the Hezbollah ring was Moussa Ali Hamdan, a Lebanese-U.S. dual national charged with trafficking counterfeited currency made in Iran. Hamdan was eventually apprehended in 2010 in Ciudad Del Este, in the Paraguayan sector of the TBA, and extradited to the United States to stand trial.

The 10 indicted Hezbollah operatives and associates traded in counterfeit currency, fake passports, and counterfeited or stolen brand goods. Ominously, they also attempted to acquire 1,400 American made Colt M4 carbines. At the time, Hodroj was a member of Hezbollah's Political Council in charge of Palestinian affairs.²⁴ The criminal complaint against Hodroj²⁵ makes it abundantly clear that Hezbollah's senior leadership approved, coordinated and benefited from these activities. It also reveals that as undercover U.S. agents negotiated arrangements for the weapons transfer, the operative involved called a very senior figure in Hezbollah's hierarchy – likely Abdallah Safieddine – to facilitate the deal.

It is reasonable to presume that investigators were hoping to go after Abdallah Safieddine eventually. Nevertheless, nearly a decade after Hodroj was indicted, Safieddine has yet to be named in any criminal proceeding against Hezbollah networks.

The Hodroj case is very revealing, not only because of the rank of its principal suspect but for its already mentioned link to Latin America. At the time of his arrest, the aforementioned Hamdan

²² U.S. Department of the Treasury, Press Release, "Treasury Targets Major Money Laundering Network Linked to Drug Trafficker Ayman Joumaa and a Key Hizballah Supporter in South America," June 27, 2012.

(<https://www.treasury.gov/press-center/press-releases/Pages/tg1624.aspx>)

²³ Chris Kraul and Sebastian Rotella, "Drug probe finds Hezbollah link," *LA Times*, October 22, 2008.

(<http://articles.latimes.com/2008/oct/22/world/fg-cocainering22>)

²⁴ Spencer S. Hsu, "Hezbollah official indicted on weapons charge," *The Washington Post*, November 25, 2009.

(<http://www.washingtonpost.com/wp-dyn/content/article/2009/11/24/AR2009112403448.html>). Hezbollah is governed by the Shura Council, a nine-member committee headed by the Secretary General. Five of its members in turn head sub-councils, such as the Political Council, which are tasked with supervising specific policy and operational areas.

²⁵ "Affidavit In Support of Application for Arrest and Seizure Warrants," *Investigative Project*, accessed April 10, 2018. (https://www.investigativeproject.org/documents/case_docs/1988.pdf)

was hiding in the Panorama 2 building,²⁶ a location of significance in organized crime and narcoterrorism investigations in Latin America.

Panorama 2 is located on Avenida Carlos A. Lopez in the commercial center of Ciudad Del Este.²⁷ The residential building is above Shopping Panorama, one of Ciudad Del Este's many shopping centers.²⁸ The building serves both residential and commercial purposes. However, Edificio Panorama 2 has repeatedly been the stage for drug trafficking, organized crime, and Hezbollah cases. That includes not only Hamdan, but also Ali Khalil Merhi, originally implicated in the Argentine AMIA bombing, who was living in Edificio Panorama 2 with his wife when Paraguayan authorities arrested him in 2000.²⁹ Panorama 2 was also the scene of the 2017 arrest of five Brazilians and two Paraguayans associated with the *Primeiro Comando do Capital* or PCC – Brazil's foremost criminal and drug cartel.³⁰

In 2014 the Brazilian daily *O Globo* exposed a connection between Hezbollah and the *Primeiro Comando da Capital*, or PCC.³¹ The Sao Paulo-based prison gang was established in 1992 and, along with the Rio de Janeiro-based *Comando Vermelho* (Red Command), is one of the primary exporters of cocaine through Brazil.³² According to the daily, Hezbollah asked the PCC to protect detainees of Lebanese origin inside the Brazilian penitentiary system. Hezbollah, for its part, is said to have helped the PCC gain access to international weapons smuggling channels and especially assisted in the sale of C4 explosives the PCC had stolen in Paraguay. The presumed currency of transaction between the two was cocaine and money laundering.

Though over the years the owners of Panorama 2 may have repeatedly been landlords of PCC criminals, Hezbollah traffickers and financiers by unfortunate coincidence, a 2007 U.S. embassy

²⁶ "Paraguay: Capturan en Ciudad del Este a miembro del Hizbullah (Paraguay: Captured a member of Hezbollah in Ciudad Del Este)," *Hacer Latin American News* (Paraguay), June 25, 2010. (<http://www.hacer.org/latam/paraguay-capturan-en-el-este-a-miembro-del-hizbullah-abc-color/>); The Federal Bureau of Investigation, Press Release, "Alleged Supporter of Terrorist Group Extradited from Paraguay," February 25, 2011. (<https://archives.fbi.gov/archives/philadelphia/press-releases/2011/ph022511a.htm>)

²⁷ Edificio Panorama II, *Facebook*, accessed February 7, 2017. (<https://www.facebook.com/Edificio-Panorama-II-439178936102452/>)

²⁸ Edificio Panorama II, *Facebook*, May 17, 2016. (<https://www.facebook.com/439178936102452/photos/a.1022271157793224.1073741825.439178936102452/1148187201868285/?type=3&theater>)

²⁹ "Pirata mayor en Ciudad del Este (Major pirating in Ciudad Del Este)," *Pagina 12* (Argentina), accessed February 7, 2017. (<https://www.pagina12.com.ar/2000/00-02/00-02-27/pag04.htm>); Anthony Faiola, "U.S. Terrorist Search Reaches Paraguay," *Washington Post*, October 13, 2001. (https://www.washingtonpost.com/archive/politics/2001/10/13/us-terrorist-search-reaches-paraguay/f69d9ed5-bee6-4b55-af81-cbddd43025371/?utm_term=.cd9326230bb5)

³⁰ "Detienen a la jefa administrativa del PCC en edificio de Ciudad del Este (PCC administrative head detained in Ciudad del Este building)," *ABC Color* (Paraguay), May 3, 2017. (<http://www.abc.com.py/edicion-impresajudiciales-y-policiales/detienen-a-la-jefa-administrativa-del-pcc-en-edificio-de-ciudad-del-este-1589703.html>)

³¹ Francisco Realí, "Polícia Federal aponta elo entre facção brasileira e Hezbollah (Federal Police link Brazilian faction and Hezbollah)," *O Globo* (Brazil), November 9, 2014. (<http://oglobo.globo.com/brasil/policia-federal-aponta-elo-entre-facao-brasileira-hezbollah-14512269>)

³² "First Capital Command – PCC: Profile," *Insight Crime*, accessed June 4, 2016. (<http://www.insightcrime.org/brazil-organized-crime-news/first-capital-command-pcc-profile>)

cable leaked by the site Wikileaks, names them as one of five key players in the TBA involved in drug trafficking and other illicit activities.³³

2009-2010: The Tajideen Brothers Case

Treasury sanctioned the Tajideen brothers and their business network, operating mainly out of West Africa, in 2009³⁴ and then again in 2010.³⁵ In its initial designation, Treasury specifically accused Kassem Tajideen of having contributed “tens of millions of dollars” to Hezbollah, including through the diamond trade. Tajideen was eventually arrested in March 2017 in Morocco and extradited to the United States, where he will stand trial. His initial indictment details \$27 million in transactions with U.S.-based companies, where the corporate identity of Tajideen’s business network was concealed.³⁶

2011: Ayman Joumaa and the Lebanese-Canadian Bank Case

In 2011, the Eastern District of Virginia indicted the aforementioned Ayman Joumaa.³⁷ Joumaa worked with Hezbollah as the kingpin in one of many networks Hezbollah runs globally to sustain its financial needs. Joumaa is a Lebanese-Colombian dual national operating a global network of companies out of Latin America, West Africa and Lebanon, laundering money for Mexican and Colombian cartels, to the tune of \$200 million a month of drug proceeds.³⁸ Joumaa worked with Hezbollah as the kingpin in one of many networks Hezbollah runs globally to sustain its financial needs.

The indictment was part of a larger strategy targeting Joumaa, the Lebanese-Canadian Bank, which his network used to launder money, and his companies. Measures taken included Treasury

³³ “Interagency Cooperation on Tri-Border Area,” *WikiLeaks Cable: 07ASUNCION688_a*, August 20, 2007. (https://wikileaks.org/plusd/cables/07ASUNCION688_a.html). “Five extended families (Barakat, Zeiter, Jamil-Georges, Baalbaki and Hijazi) in the TBA appear to be the major actors in drugs and other large-scale crimes, but the Embassy believes that the clear majority of the adult working population of the Lebanese community (of 40,000 persons total) in the TBA may be involved in some type of illicit activity (e.g., counterfeit goods).”

³⁴ U.S. Department of the Treasury, Press Release, “Treasury Targets Hezbollah Financial Network,” May 27, 2009. (<https://www.treasury.gov/press-center/press-releases/Pages/tg149.aspx>)

³⁵ U.S. Department of the Treasury, Press Release, “Treasury Targets Hizballah Financial Network,” December 9, 2010. (<https://www.treasury.gov/press-center/press-releases/Pages/tg997.aspx>)

³⁶ Indictment, *United States of America v. Kassim Tajideen et al.*, No. 16-CV-64 (RBW) (D.D.C. filed March 7, 2017). (<https://www.justice.gov/opa/press-release/file/952071/download>)

³⁷ Indictment, *United States of America v. Ayman Joumaa*, No. 1:11-CR-560 (TSE), (E.D.VA. November 23, 2011). (https://www.investigativeproject.org/documents/case_docs/1856.pdf)

³⁸ U.S. Department of the Treasury, Press Release, “Treasury Targets Major Lebanese-Based Drug Trafficking and Money Laundering Network,” January 26, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1035.aspx>); U.S. Department of the Treasury, Press Release, “U.S. Charges Alleged Lebanese Drug Kingpin with Laundering Drug Proceeds for Mexican and Colombian Drug Cartels,” December 13, 2011. (<https://www.justice.gov/archive/usao/vae/news/2011/12/20111213joumaanr.html>)

sanctions against Joumaa and his front companies,³⁹ a Patriot Act Section 311 designation of the bank as an entity of “primary money laundering concern,”⁴⁰ and an asset seizure of bank funds.⁴¹

Investigators involved in the case are believed to have identified over 300 used car businesses used by the Joumaa network to buy cars and ship them to West Africa, where they could be sold for a hefty profit, thereby generating more revenue for Hezbollah while laundering the drug money from Colombia. Yet the Joumaa case ended up naming and folding only about 30 of those businesses, leaving the bulk of the money-laundering structure intact and still able to function.⁴²

2014: Ali Fayad, Faouzi Jaber, and Khaled El Merebi

Lebanese-Ukrainian national Ali Fayad, a Ukrainian-based arms trafficker and his two business associates, Lebanese national Khaled El Merebi and Ivory Coast national Fauzi Jaber, were indicted in 2014 for attempting to procure anti-aircraft missiles on behalf of the Colombian FARC. Jaber and Merebi were also indicted on drug trafficking charges. DEA undercover agents posed as arms experts for the FARC and negotiated the purchase of anti-aircraft missiles with Fayad, the ringleader. All three were arrested in Prague in a sting operation. Fayad and Merebi were released in early 2016 and swapped with five Czech nationals kidnapped in Lebanon the previous summer.⁴³ Jaber alone was extradited to the United States, and eventually sentenced to 15 years in prison. It is not clear why he was left out of the swap, but it is possible that Hezbollah blamed him for the DEA sting of Fayad, since he was the one who introduced DEA undercover agents to Fayad.

The U.S. failure to extradite Fayad left DEA without access to a treasure trove of intelligence they could have gathered from interrogating him in the United States. Nevertheless, the case against Jaber was successfully prosecuted and the Hezbollah crime-terror nexus became more visible as a result.

2014: Muhammad Hamdar

³⁹ Jo Becker, “Beirut Bank Seen as a Hub of Hezbollah’s Financing,” *The New York Times*, December 13, 2011. (<http://www.nytimes.com/2011/12/14/world/middleeast/beirut-bank-seen-as-a-hub-of-hezbollahs-financing.html>).

Joumaa’s web of companies included U.S.-based businesses and the Canadian-Lebanese Bank. The combined force of U.S. sanctions, prosecutions, and financial restrictions on the bank eventually crippled Joumaa’s network. Joumaa was indicted in December 2011 but remains at large.

⁴⁰ U.S. Department of the Treasury, Press Release, “Fact Sheet: Overview of Section 311 of the USA Patriot Act,” February 10, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1056.aspx>); U.S. Department of the Treasury, Press Release, “Treasury Identifies Lebanese Canadian Bank Sal as a ‘Primary Money Laundering Concern,’” February 10, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1057.aspx>)

⁴¹ Federal Bureau of Investigation, New York Field Office, Press Release, “U.S. Government Seizes \$150 Million in Connection with Hezbollah-Related Money Laundering Scheme,” August 20, 2012. (<https://archives.fbi.gov/archives/newyork/press-releases/2012/u.s.-government-seizes-150-million-in-connection-with-hizballah-related-money-laundering-scheme>)

⁴² Josh Meyer, “The secret backstory of how Obama let Hezbollah off the hook,” *Politico*, December 18, 2017. (<https://www.politico.com/interactives/2017/obama-hezbollah-drug-trafficking-investigation/>)

⁴³ Robert Muller, “Czechs release two Lebanese as missing Czechs return from Lebanon, US ‘shocked,’” *Reuters*, February 4, 2016. (<https://www.reuters.com/article/us-lebanon-czechs/czechs-release-two-lebanese-as-missing-czechs-return-from-lebanon-u-s-shocked-idUSKCN0VD1MU>)

Tipped off by foreign intelligence, reportedly the Israeli Mossad,⁴⁴ in October 2014, Peruvian authorities arrested a suspected Hezbollah member, Muhammad Ghaleb Hamdar.⁴⁵ Hamdar entered Peru via Brazil the previous year, using a fraudulent passport from Sierra Leone. Within weeks, he married a dual Peruvian-U.S. national. He may have spent considerable time in Brazil, an important hub of Hezbollah activity in the region, during his time in Latin America. When he was arrested, Peruvian authorities found explosives in his garbage bin – a possible indication he had been tipped off at the last minute.

Despite the presence of explosives at his residence and hundreds of photos of high value civilian targets on his phone, his trial did not lead to a conviction for terrorism. In April 2017, he was sentenced to six years for falsifying his immigration papers.⁴⁶ Nevertheless, the U.S. Department of Treasury identified him as a Hezbollah operative and sanctioned him in 2016.⁴⁷ According to Matthew Levitt of the Washington Institute for Near East Policy, Hamdar's handler for operational planning was Salman al-Reda aka Salman Raouf Salman, the Lebanese-Colombian dual national and Hezbollah member who was the on-the-ground coordinator for the 1994 terror attack on the AMIA building in Buenos Aires.⁴⁸ Hamdar met al-Reda numerous times to plan the attack in Peru eventually foiled by his arrest.

2015: Adham Tabaja

As previously highlighted, Treasury sanctioned Tabaja in 2015, Lebanese businessman Kassem Hejeij, and Husayn Ali Faour of the ESO.⁴⁹ Treasury sanctioned more associates of Tabaja and his company in February 2018.⁵⁰

2015: The Iman Kobeissi Case

While many of the aforementioned cases involve arms procurement attempts, the Fayad case already shows how Hezbollah operatives in charge of technology procurement for Hezbollah's and

⁴⁴ Ariel Ben Solomon, "Latest report on Mossad's 'Hezbollah spy' says he gave up details of Burgas bombing," *The Jerusalem Post*, December 22, 2014. (<http://www.jpost.com/Middle-East/Latest-report-on-Mossads-Hezbollah-spy-says-he-gave-up-details-of-Burgas-bombing-385366>)

⁴⁵ "Presunto miembro de Hezbollah fue detenido en Surquillo (Alleged member of Hezbollah was detained in Surquillo)," *RPP Noticias* (Peru), October 29, 2014. (<http://rpp.pe/lima/actualidad/presunto-miembro-de-hezbollah-fue-detenido-en-surquillo-noticia-737561>)

⁴⁶ "Absuelven a Libanes acusado de terrorismo detenido en Surquillo (Lebanese accused of terrorism detained in Surquillo is acquitted)," *El Comercio* (Peru), April 21, 2017. (<https://elcomercio.pe/peru/absuelven-libanes-acusado-terrorismo-detenido-surquillo-415800>)

⁴⁷ U.S. Department of Treasury, Resource Center, "Counter-Terrorism Designations," October 20, 2016. (<https://www.treasury.gov/press-center/press-releases/Pages/jl0587.aspx>). According to Treasury, "Hamdar, another member of Hezbollah's ESO, was arrested in Lima, Peru in October 2014 on suspicion of planning terrorist attacks in the country for Hezbollah. Upon investigation, Peruvian authorities discovered photographs of popular tourist restaurants and houses as well as traces of military grade explosives in Hamdar's apartment. Peruvian authorities also found TNT, gunpowder, and detonators in the outdoor trashcan assigned to his unit upon investigation. Hamdar admitted to being a member of Hezbollah ESO and that he undertook all of his activities in Peru at ESO's direction."

⁴⁸ Matthew Levitt, "Hezbollah's Growing Threat Against U.S. National Security Interests in the Middle East, *The Washington Institute for Near East Policy*, March 22, 2016. (<https://www.washingtoninstitute.org/uploads/Documents/testimony/LevittTestimony20160322.pdf>)

⁴⁹ U.S. Department of the Treasury, Press Release, "Treasury Sanctions Hezbollah Front Companies and Facilitators in Lebanon and Iraq," June 10, 2015. (<https://www.treasury.gov/press-center/press-releases/Pages/jl0069.aspx>)

⁵⁰ U.S. Department of the Treasury, Press Release, "Treasury Targets Hezbollah Financial Network in Africa and the Middle East," February 2, 2018. (<https://home.treasury.gov/news/press-releases/sm0278>)

Iran's military needs are also involved in criminal activities such as drug trafficking. Other cases targeted by Project Cassandra are highly suggestive of a Hezbollah terror-crime nexus. One in particular involves Iman Kobeissi, a Lebanese business executive with French nationality working for Hezbollah, whom U.S. undercover agents entrapped and arrested in 2015. The Kobeissi indictment reveals the extent of relations with criminal cartels and the role Hezbollah financiers play to facilitate procurement not only for their terror group, but for its sponsor, Iran, as well.⁵¹

Kobeissi was indicted for laundering what she believed to be money from drug proceeds (she levied a 20 percent commission), for attempting to smuggle blood diamonds from Africa into the United States, and for trying to procure weapons and airplane parts for Hezbollah and Iran. According to court documents, during her encounters with undercover U.S. agents she boasted of having important Iranian leadership connections. She also mentioned Hezbollah ties with criminal groups in numerous African and European countries,⁵² further proof that Hezbollah works globally with crime syndicates, cooperating in illicit business ventures and offering money-laundering services, logistics and transport.

2016: Operation Cedar

On January 24, 2016, the aforementioned Operation Cedar led to sweeping arrests against Hezbollah operatives across Europe. The arrests were followed by Treasury designations and, within days, a press release by DEA, drawing a direct line between the arrested Lebanese criminals and Hezbollah's senior leadership.

2016: The Ammar, Diab, & Mansour Case

In September 2016, the DEA indicted three Hezbollah members – one, Hassan Mohsen Mansour, was arrested in Paris – who were laundering cocaine proceeds for Colombian cartels. The charges against one of them, Mohammad Ammar, who was extradited to Miami, involved moving half a million dollars of drug money to U.S. banks in order to launder it, but the cash value of their operation was much larger.⁵³ Media coverage of the case mentioned a Hezbollah connection, yet the indictment remains sealed while one of the three suspects is a fugitive.

2016-2017: The Ali Chamas Case

In her conversations with undercover DEA agents, Kobeissi mentioned Puerto Rico as a point of departure for cocaine shipments. This suggests that Hezbollah's criminal networks operate inside the United States.⁵⁴ A more recent case – that of Ali Issa Chamas,⁵⁵ a suspected Hezbollah drug trafficker⁵⁶ extradited from Paraguay to Miami in June 2017 – confirms that Latin American drug

⁵¹ Given her access, it is likely that Iman Kobeissi is linked in some personal capacity to the highest echelons of the Hezbollah leadership.

⁵² Complaint, *United States v. Iman Kobeissi*, No. S(1) Cr. 962 (JO), (E.D.N.Y.). (Accessed via Pacer).

⁵³ David Ovalle, "State: Hezbollah-linked group laundered drug money through Miami banks," *The Miami Herald*, October 11, 2016. (<http://www.miamiherald.com/news/local/crime/article107366182.html>)

⁵⁴ Complaint, *United States v. Iman Kobeissi*, No. S(1) Cr. 962 (JO), (E.D.N.Y.), Page 11. (Accessed via Pacer).

⁵⁵ Jay Weaver, "Paraguayan man linked to Hezbollah faces drug charges in Miami," *Miami Herald*, June 26, 2017. (<http://www.miamiherald.com/news/local/crime/article158334659.html>)

⁵⁶ "Extraditarán a libanés por pertenecer al grupo terrorista Hezbollah (Lebanese Extradited for Participation in Hezbollah Terrorist Group)," *Paraguay.com* (Paraguay), May 19, 2017. (<http://www.paraguay.com/nacionales/extraditaran-a-libanes-por-pertenecer-al-grupo-terrorista-hezbollah-162907>)

traffickers, including those with suspected ties with Hezbollah, have a secure way to move cocaine through main U.S. ports and airports.

In June 2017, U.S. authorities extradited Lebanese-Paraguayan national Ali Issa Chamas to Miami on charges of conspiring to ship cocaine to the United States. At the time of his arrest in Paraguay, Chamas was dispatching a shipment of 39 kilograms of cocaine to Turkey from the Guarani International Airport outside Ciudad Del Este in the TBA. Court documents⁵⁷ show that Chamas was part of a larger network of drug traffickers, likely based in Colombia. Had he not been arrested, Chamas would have dispatched a test run of three kilos of cocaine to a business partner in Houston. Upon successful receipt of the test run, Chamas promised his partner that as many as 100 kilos of cocaine a month could be shipped, by air cargo, to the United States. He noted that “it would take 4 to 5 days to Houston, 2 to 3 days to Miami, 4 days to Toronto, Canada,” and indicated that air cargo was the method of transport.⁵⁸

Chamas’ arrest eventually led to the detention, by Paraguayan authorities, of three of his associates. On February 4, 2017, two Turkish nationals were detained in their TBA apartment.⁵⁹ There, police found a press, believed to serve the purpose of liquefying cocaine, and 65 large shampoo bottles, which investigators believe were meant to be used to carry the drugs.⁶⁰ One of the two individuals arrested had photographs of cocaine powder and packaged cocaine in his mobile phone. On April 6, 2017, a fourth individual, also a Lebanese national, was detained in his Ciudad Del Este apartment, while in the company of two others. Media and police reports independently obtained from local sources indicate that Chamas and his associates are suspected of being part of the same trafficking network and to have ties to Hezbollah.⁶¹

Chamas’ connection to Hezbollah, and that of his associates, remains disputed.⁶² But the U.S. government thought otherwise:

The defendant has advised DEA agents that he was a global facilitator for Lebanese drug traffickers, that sending cocaine was easy, that he had done it many times from

⁵⁷ United States of America’s Factual Proffer for Defendant’s Change of Plea, *United States of America v. Ali Issa Chamas*, No. 16-20913-Williams (November 24, 2017). (<https://ecf.flsd.uscourts.gov/doc1/051118408644>)

⁵⁸ United States of America’s Factual Proffer for Defendant’s Change of Plea, *United States of America v. Ali Issa Chamas*, No. 16-20913-Williams (November 24, 2017). (<https://ecf.flsd.uscourts.gov/doc1/051118408644>)

⁵⁹ “Senad detiene a dos turcos con cocaína líquida en CDE” (Senad arrests two Turkish nationals with liquid cocaine in Ciudad Del Este), *Ultima Hora* (Paraguay), February 6, 2017. (<http://www.ultimahora.com/senad-detiene-dos-turcos-cocaina-liquida-cde-n1060868.html>)

⁶⁰ “Caen dos narcotraficantes turcos (Turkish narcotraffickers arrested),” *ABC Color* (Paraguay), February 6, 2017. (<http://www.abc.com.py/edicion-impresajudiciales-y-policiales/caen-dos-narcotraficantes-turcos-1562260.html>)

⁶¹ For more details, see my May 2017 Testimony: Emanuele Ottolenghi, “Emerging External Influences in the Western Hemisphere,” *Testimony before Senate Foreign Relations Committee*, May 10, 2017. (https://www.foreign.senate.gov/imo/media/doc/051017_Ottolenghi_Testimony.pdf); See also: “Extraditarán a Libaés por pertenecer al grupo terrorista Hezbollah (They will extradite Lebanese for belonging to the terrorist group Hezbollah),” *Paraguay Noticias* (Paraguay), May 19, 2017.

(<http://www.paraguay.com/nacionales/extraditaran-a-libanes-por-pertenecer-al-grupo-terrorista-hezbollah-162907>); Jay Weaver, “Paraguayan man linked to Hezbollah faces drug charges in Miami,” *The Miami Herald*, June 26, 2017. (<http://www.miamiherald.com/news/local/crime/article158334659.html>)

⁶² Defendant PSI Objections, *United States vs. Ali Issa Chamas*, No. 21 Cr. 20913 (KMW), (F.L.S.D 2017). (Accessed via Pacer)

Sao Paulo, Brazil to Europe and Lebanon, and that he had sent too much cocaine to count.

The defendant also admitted to agents that some of his family members were Hezbollah and that the Chamas clan was powerful and allied to Hezbollah. The defendant admitted to taking part in a shipment of 31 kilograms of cocaine that was seized by law enforcement in April of 2016 at Beirut-Rafic Hariri International Airport in Lebanon, and that he and his associates paid \$10,000 per kilogram to facilitate entry of the cocaine into Lebanon via the airport, knowing that the money was going to Hezbollah.⁶³

By his own admission, then, Chamas paid a fee to Hezbollah to let cocaine into Lebanon, thereby providing material support to the terror organization.

Chamas was eventually sentenced to three-and-a-half years in prison on charges of attempting to ship three kilograms of cocaine into the United States, but no narcoterrorism charges were brought against him.⁶⁴ His Houston-based associate, named in the proffer only as ‘Kuku,’ is still at large.⁶⁵ Two of Chamas’ three associates, Turkish nationals Munir Öztürk and Eray Uç, arrested in Paraguay in February 2017 following leads discovered in Chamas’ phone, escaped prison right before Christmas 2017,⁶⁶ and remain at large. Evidence obtained from phones seized at the time of their arrests shows that they utilized social media platforms such as Facebook and Instagram to communicate.⁶⁷ A fourth associate of Chamas, Akram Abd Ali Kachmar, was arrested in April 2017 and remains in jail in Paraguay.

⁶³ United States’ Objection to the PSR and Response in Opposition to Defendant’s Objections to the Presentence Investigation Report, *United States vs. Ali Issa Chamas*, No. 16 Cr. 20913 (KMW), (F.L.S.D 2017). (Accessed via Pacer)

⁶⁴ Judgement, *United States vs. Ali Issa Chamas*, No. 16 Cr. 20913 (KMW), (F.L.S.D 2017). (Accessed via Pacer)

⁶⁵ Factual Proffer, *United States vs. Ali Issa Chamas*, No. 16 Cr. 20913 (KMW), (F.L.S.D 2017). (Accessed via Pacer)

⁶⁶ “Dos turcos vinculados al terrorismo se fugaron de la cárcel de Misiones (Two Turks connected to terrorism fled from Misiones prison),” *ABC Color* (Paraguay), December 24, 2017. (<http://www.abc.com.py/edicion-impresa/judiciales-y-policiales/dos-turcos-vinculados-al-terrorismo-se-fugaron-de-la-carcel-de-misiones-1661295.html>)

⁶⁷ The content of the phones and tablets seized during multiple raids by Paraguayan authorities was obtained from a local source.



Paraguay's Directorate General of Immigration's ID Card of Akram Abd Ali Kachmar⁶⁸

Kachmar worked as an immigration intermediary with Paraguay's ministry of immigration. Local sources say he may have facilitated between 500 and 1,000 applications for Paraguayan permanent residency for Lebanese nationals.⁶⁹

That citizenship in numerous countries in the Western Hemisphere can be easily obtained is beyond dispute, and it remains a problem highlighted in the 2016 State Department's annual report on terrorism. The report noted that Brazil's borders with Paraguay are porous and "irregular migration, especially by aliens from areas with a potential nexus to terrorism, is a growing problem, with Brazil often serving as a transit country."⁷⁰ As things stand, Hezbollah operatives' ability to obtain citizenship with relative speed and ease indicates that lax citizenship laws and citizenship-by-investment programs may constitute one of the main attractions to move and operate in this highly problematic area of the Southern Cone.

2017: Samer Ibrahim Atoui

The case of Samer Ibrahim Atoui perfectly illustrates this problem.⁷¹

Samer Ibrahim Atoui was a senior Hezbollah commander, who died on October 2, 2017, in Eastern Syria,⁷² while driving with another senior Hezbollah Special Forces commander.⁷³ Atoui may well

⁶⁸ Information obtained from a local source.

⁶⁹ Information obtained from a local source.

⁷⁰ U.S. Department of State, Bureau of Counterterrorism, "Country Reports on Terrorism," July 2017, page 281. (<https://www.state.gov/documents/organization/272488.pdf>)

⁷¹ For a more exhaustive discussion of Samer Ibrahim Atoui's background and role within Hezbollah, see: Emanuele Ottolenghi, "Mystery Martyr," *The Weekly Standard*, March 5, 2018. (<https://www.weeklystandard.com/the-mystery-martyr/article/2011702#.WpRWct1QY-Q.twitter>)

⁷² Ziad El Shoufi, "بالصور: الخيام تودع القائد الشهيد سامر ابراهيم عطوي" (Pictures: Khayyam deposited martyr Samer Ibrahim Atwi)," *Khiam Village Official Page*, October 5, 2017. (<http://www.khiyam.com/news/article.php?articleID=25298>)

⁷³ @QalaatAlMudiq, "E. #Syria 2 #Hezbollah commanders killed on road T-3 - #Humaymah in E. #Homs: Ashiq Abbas from Elite Force Radwan & Abu Ali Jawad. Airstrike Suspected.," *Twitter*, October 2, 2017. (<https://twitter.com/QalaatAlMudiq/status/914821544362332160>). Social media initially identified Atoui with his nom de guerre Abu Ali Jawad.

have been a member of Hezbollah's BAC, responsible for its operations in the Southern Cone. Though he died thousands of miles away from Latin America, Atoui held both Brazilian and Paraguayan citizenships.

Based on public records of his dual citizenship, Atoui spent at least five years in the TBA during the early 1990's. Based on evidence available on social media, including the fact that the Imam Khomeini mosque in Foz do Iguazu, on the Brazilian side of the TBA, commemorated him four days after his death,⁷⁴ FDD's research revealed that he had close family ties in Latin America and maintained close relations with Hezbollah TBA Specially Designated Global Terrorists (SDGT) and other prominent members of the TBA-based Hezbollah network.⁷⁵

These ties confirm that the TBA remains a high priority for Hezbollah's funding operations. U.S. sanctions clearly failed to deter Hezbollah in the TBA. In fact, evidence of senior Hezbollah operatives focusing on the TBA and, even more so, relocating there permanently suggests that the opposite is true. U.S. sanctions have lost their edge and unless clear efforts are made to restore their credibility, their deterrent effect will be diminished.

THE PROJECT CASSANDRA CONTROVERSY

The long list of court cases and designations just mentioned constitutes the backdrop for the exposé that *Politico* published last December.⁷⁶ The *Politico* investigation charged that the Obama administration had gone soft on Hezbollah in order to facilitate nuclear negotiations with Iran, the main patron of Hezbollah. Specifically, the investigation found that the Obama DOJ deliberately undermined Project Cassandra.

While veterans of the Obama administration insist that *Politico*'s reporting was downright false and politically motivated, the story spurred the Trump administration to broadcast signals that it was serious about pursuing Hezbollah. Indeed, days after *Politico* published its exposé, Attorney General Jeff Sessions ordered a review of decisions made by the Obama Department of Justice,⁷⁷ and, on January 11, he announced the establishment of an interagency task force entrusted with combating Hezbollah's terrorism finance.⁷⁸

⁷⁴ Mohamad Moha Ali, *Facebook*, October 6, 2017.

(<https://www.facebook.com/photo.php?fbid=227982131067500&set=ecnf.100015671443264&type=3&theater>)

⁷⁵ Bassam Nader, *Facebook*, October 2, 2017.

(<https://www.facebook.com/photo.php?fbid=1711394692227524&set=a.561711337195871.1073741825.100000710303599&type=3&theater>)

⁷⁶ Josh Meyer, "The secret backstory of how Obama let Hezbollah off the hook," *Politico*, December 18, 2017.

(<https://www.politico.com/interactives/2017/obama-hezbollah-drug-trafficking-investigation/>)

⁷⁷ U.S. Department of Justice, Press Release, "Attorney General Sessions Reiterates Support of DEA Efforts to Investigate Hezbollah's Drug Trafficking and Related Activities and Orders Review of Prior DEA Investigations," December 22, 2017. (<https://www.justice.gov/opa/pr/attorney-general-sessions-reiterates-support-dea-efforts-investigate-hezbollah-s-drug>)

⁷⁸ U.S. Department of Justice, Press Release, "Attorney General Sessions Announces Hezbollah Financing and Narcoterrorism Team," January 11, 2018. (<https://www.justice.gov/opa/pr/attorney-general-sessions-announces-hezbollah-financing-and-narcoterrorism-team>)

The Washington Institute's Matthew Levitt recently published a lengthy essay seeking to assess the extent to which the *Politico* investigation was correct.⁷⁹ Levitt seems to vindicate the *Politico* piece's central claim, according to which political considerations driven by the Iran deal became a strong disincentive against Project Cassandra cases. The breaking point, for Levitt, appears to be the already mentioned Operation Cedar, and the press release that announced it. Referring to the already mentioned DEA press release on February 2, 2016, announcing the operation, Levitt writes:

Originally, the plan was for a joint press release including Europol and several European countries as well as the DEA. Senior French officials later balked (and the rest of the Europeans quickly followed suit) because Iranian President Rouhani was in Paris at the time and French authorities were reportedly concerned their participation might undermine negotiations for Iran to purchase Airbus airplanes under nuclear-deal provisions expressly allowing such sales.⁸⁰

Although Levitt does not substantiate this claim with any reference to publicly available information, this episode is consistent with the accusations leveled at the Obama administration – namely that politics got in the way of law enforcement and, in the clash among agencies, governments, and their equities, law enforcement officials and their findings were swept aside or minimized.

Levitt makes this abundantly clear elsewhere in his essay:

For the DEA, this information was based on clear evidence collected through law enforcement investigations and therefore was nothing remarkable. But the intelligence community felt sandbagged. To its members, the press release was a runaround of the process of interagency intelligence consensus that, as far as they were concerned, was still a matter of fierce debate.⁸¹

It is not clear why this would still be “a matter of fierce debate.” After all, Treasury had just designated two members of the network taken down in Operation Cedar, linked them to Adham Tabaja, and labelled them as Hezbollah facilitators involved in crime for the sake of financing terrorism. Instead, as Levitt notes, “Confusion persisted within the intelligence community as information underscoring the arrested individuals’ Hezbollah bona fides became clear.” Levitt seems to suggest that the pushback against DEA’s Project Cassandra came precisely when the evidence of their 10-year odyssey to prove the Hezbollah crime-terror nexus finally produced the ultimate smoking gun.

⁷⁹Matthew Levitt, “In Search of Nuance in the Debate over Hezbollah’s Criminal Enterprise and the U.S. Response,” *Lawfare*, March 20, 2018. (<https://lawfare.s3-us-west-2.amazonaws.com/staging/2018/FINAL-Levitt%20Paper.pdf>)

⁸⁰ Matthew Levitt, “In Search of Nuance in the Debate over Hezbollah’s Criminal Enterprise and the U.S. Response,” *Lawfare*, March 20, 2018, page 25. (<https://lawfare.s3-us-west-2.amazonaws.com/staging/2018/FINAL-Levitt%20Paper.pdf>)

⁸¹ Matthew Levitt, “In Search of Nuance in the Debate over Hezbollah’s Criminal Enterprise and the U.S. Response,” *Lawfare*, March 20, 2018, page 26. (<https://lawfare.s3-us-west-2.amazonaws.com/staging/2018/FINAL-Levitt%20Paper.pdf>)

Levitt does seek to distance himself from the sweeping headlines of the *Politico* investigation, attributing problems and shortcomings highlighted in the *Politico* exposé more to a lingering firewall between law-enforcement and intelligence agencies. That firewall is no doubt partly responsible for short-circuiting the ability, across government agencies, to share information and leverage it against hybrid threat networks such as the ones Hezbollah established in Latin America. Nevertheless, his overall assessment is damning. To the intelligence community, the February 2016 press release drawing a thick line “from Tabaja, Nouredine and the Business Affairs Component to the late Hezbollah terrorist mastermind, Imad Mughniyeh” was a red line crossed, a “runaround of the process of interagency intelligence consensus” that “rocked the boat” and left the intelligence community feeling “sandbagged.”⁸² “Operation Cedar,” he concludes, “was a tremendous success, but the intelligence community and the many in the wider interagency became determined to shut down Project Cassandra, at least in its current form.”⁸³

The U.S. apparatus of government needs to recognize that terror finance targets engaged in illicit activities may facilitate, and when needed, become involved in, terror attacks. Treating these two phenomena as disjointed may not have been the result of political malice, but the consequences of not fixing this problem are that the United States is being less effective at pursuing key policy goals in the fight against terrorism.

That is why a thorough review of Project Cassandra is crucial. As I wrote last January in an article⁸⁴ co-authored with Derek Maltz, who for a decade headed the DEA’s Special Operations Division and was thus privy to many of these cases, a serious review must seek answer to at least five questions.

Our first two questions concern botched extraditions that would have given U.S. investigators access to a treasure trove of information. First, no senior figure at the State Department, Justice Department, or the White House fought for the extradition of the Syrian-Venezuelan national and U.S.-designated drug kingpin Walid Makled García.⁸⁵ Why?

Though not himself a member of Hezbollah, Makled may have been the repository of privileged information about the Venezuela-Hezbollah relationship, as well as Venezuelan government corruption and cooperation with the drug cartels. Makled was arrested in 2010 in Colombia,⁸⁶ a close ally of the United States. Yet President Obama declined to use his prestige, influence, and

⁸² Matthew Levitt, “In Search of Nuance in the Debate over Hezbollah’s Criminal Enterprise and the U.S. Response,” *Lawfare*, March 20, 2018, pages 25-26. (<https://lawfare.s3-us-west-2.amazonaws.com/staging/2018/FINAL-Levitt%20Paper.pdf>)

⁸³ Matthew Levitt, “In Search of Nuance in the Debate over Hezbollah’s Criminal Enterprise and the U.S. Response,” *Lawfare*, March 20, 2018, page 26. (<https://lawfare.s3-us-west-2.amazonaws.com/staging/2018/FINAL-Levitt%20Paper.pdf>)

⁸⁴ Derek Maltz and Emanuele Ottolenghi, “It’s Time for the Justice Department to Hold Hezbollah Accountable,” *Foreign Policy*, January 19, 2018. (<https://foreignpolicy.com/2018/01/19/its-time-for-the-justice-department-to-hold-hezbollah-accountable/>)

⁸⁵ U.S. Department of the Treasury, Press Release, “Recent OFAC Actions,” May 29, 2009. (<https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20090529.aspx>)

⁸⁶ “Drug Trafficking Suspect Wanted by U.S. Is Arrested in Columbia,” *The New York Times*, August 21, 2010. (<http://www.nytimes.com/2010/08/21/world/americas/21colombia.html>)

leverage to bring him to the United States,⁸⁷ instead letting Makled be extradited to Venezuela in 2011,⁸⁸ thereby putting the secrets he could have revealed out of the reach of U.S. law enforcement.

Second, why did the U.S. government fail to extradite Ali Fayad from the Czech Republic? Recall that Fayad was arrested during a DEA sting that closely resembled the capture of arms dealer Viktor Bout, in 2008, in Thailand. Bout – a Russian national who inspired Nicolas Cage’s character in the 2005 film *Lord of War* and sold weapons to the Taliban, African warlords, and Hezbollah – had friends in high places in Moscow. Russia strenuously opposed his extradition⁸⁹ and slammed his conviction.⁹⁰

The Obama administration was willing to spend considerable political capital to extradite him for trial in the United States. Yet it declined to do so in July 2015, when Hezbollah engineered the kidnapping of five Czech nationals in Lebanon.⁹¹

The third decision to review is the one that prevented charges from being brought against Abdullah Safieddine. Bringing drug trafficking charges against Hezbollah’s most senior leaders, such as Safieddine, would lay bare the toxic ties linking Hezbollah and drug cartels across Latin America. While no country in Latin America recognizes Hezbollah as a terrorist organization, many feel pressure to take action against narcotraffickers. Public revelations of criminality and drug trafficking would also damage Hezbollah’s supposed Islamic principles.

Why, then, would the Justice Department not agree to bring charges against a top Hezbollah criminal? If the answer has to do with politics, rather than insufficient evidence, then the American public has a right to know.

A fourth and related question to ask is why, when the Justice Department did bring charges against other Hezbollah operatives in drug trafficking cases, most of the indictments failed to identify the group. How can our law enforcement community fight an organization if we cannot even call it by its own name?

The fifth question to ask about Project Cassandra concerns unfinished business from the Lebanese Canadian Bank case, which is deservedly known as one of the greatest successes in the history of prosecuting terrorist finance networks. Yet it was not an unmitigated success: Hezbollah leveraged 300 U.S.-based used car dealerships to launder the drug revenues by exporting vehicles to West Africa. But the actions taken against the bank’s network affected only 30 businesses due to lack

⁸⁷ Jackson Diehl, “Why isn’t Obama fighting Colombia’s dirty deal?,” *The Washington Post*, August 10, 2011.

(https://www.washingtonpost.com/opinions/why-isnt-obama-fighting-colombias-dirty-deal/2011/04/07/AFGdwrGD_story.html?utm_term=.edb5080d0c81)

⁸⁸ “Accused drug kingpin extradited to Venezuela,” *CNN*, May 9, 2011.

(<http://www.cnn.com/2011/WORLD/americas/05/09/venezuela.colombia.extradition/index.html>)

⁸⁹ Owen Matthews, “Viktor Bout’s Secrets Frighten the Kremlin,” *Newsweek*, September 2, 2010.

(<http://www.newsweek.com/viktor-bouts-secrets-frighten-kremlin-72249>)

⁹⁰ “Russia slams U.S. over sentence for arms dealer Viktor Bout,” *CNN*, April 6, 2012.

(<http://www.cnn.com/2012/04/06/justice/russia-us-viktor-bout-case/index.html>)

⁹¹ Nicholas Blanford, “Five Czechs missing in Lebanon: Kidnapped for money or politics?,” *CSN Monitor*, July 20, 2015. (<https://www.csmonitor.com/World/Middle-East/2015/0720/Five-Czechs-missing-in-Lebanon-Kidnapped-for-money-or-politics>)

of interagency cooperation. Most of the remaining 270 businesses are still operating. As the Iman Kobeissi case reveals, the West Africa used car money laundering scheme is still running. Why has the Justice Department not pursued a network of criminal enterprises of which it is clearly aware?

To date, the Trump administration has not yet provided an answer to these questions.

As of spring of 2018, there are no concrete signs that the Department of Justice is ready to revive Project Cassandra. Attorney General Sessions appointed the acting assistant attorney general, John P. Cronan, to supervise the new task force. In a speech he delivered last week to the 35th International Drug Enforcement Conference, Cronan said, “Our fight against drug cartels and transnational criminal organizations is the very definition of a fight that transcends borders.”⁹²

Boundaries, whether geographic or organizational, do not impede terrorists. They must not impede those who seek to fight them. Terrorism has frequently resorted to crime in the past to finance violence. Hezbollah has vehemently denied any involvement with criminal activities, but given the evidence, their denials are not serious. Besides, the terror-crime nexus is hardly unusual. Terrorist groups such as the Irish Republican Army and the Italian Red Brigades all engaged in criminal activities that included extortion, racketeering and bank robberies.⁹³ The Islamic State too has engaged in numerous nefarious criminal ventures, such as antiquities smuggling⁹⁴ and organ trafficking,⁹⁵ to sustain its Caliphate. Such activities require terror groups to interact with crime syndicates. Sometimes interaction develops into full-fledged partnerships.⁹⁶ Fighting their sources of finance, even as these involve criminal activities, should be an integral part of the war on terror.

As Cronan concluded,

Money is the lifeblood of any criminal organization, be it a pill mill, a transnational drug cartel, or a terrorist organization. Money is the very reason that criminal enterprises exist and persist. If we can map out, and stamp out, the financial networks through which the money is moving, we will go a long way in paralyzing

⁹² U.S. Department of Justice, Press Release, “Acting Assistant Attorney General Jon P. Cronan Delivers Remarks at the 35th International Drug Enforcement Conference,” April 10, 2018. (<https://www.justice.gov/opa/pr/acting-assistant-attorney-general-john-p-cronan-delivers-remarks-international-drug>)

⁹³ Lizette Alvarez, “Police Fear I.R.A Is Turning Expertise to Organized Crime,” *The New York Times*, January 19, 2005. (<https://www.nytimes.com/2005/01/19/world/europe/police-fear-ira-is-turning-expertise-to-organized-crime.html>)

⁹⁴ Callum Paton, “ISIS Makes up to \$100 Million a Year Smuggling Ancient Artifacts from Iraq and Syria,” *Newsweek*, August 7, 2017. (<http://www.newsweek.com/isis-makes-100-million-year-smuggling-ancient-artifacts-iraq-and-syria-647524>)

⁹⁵ Anne Shekhard, “ISIS Defector Reports on the Sale of Organs Harvested from ISIS-held ‘Slaves,’” *Huffington Post*, December 6, 2017. (https://www.huffingtonpost.com/anne-speckhard/isis-defector-reports-on-sale-of-organs_b_8897708.html)

⁹⁶ “Il Patto BR – Camorra (The BR – Camorra Pact),” *La Repubblica* (Italy), June 9, 1987. (<http://ricerca.repubblica.it/repubblica/archivio/repubblica/1987/06/09/il-patto-br-camorra.html>)

these criminal organizations well before we have to endure, first-hand, the destructive effects of their poisons in our communities.⁹⁷

Nevertheless, Cronan did not mention the word Hezbollah once in his remarks, though he focused on transnational organized crime, large-scale international narcotics trafficking, and international money laundering, all activities linked to Hezbollah's Latin American operation that had been supposedly swept under the rug during the Obama administration.

Chairman King, ranking member Rice, members of the committee:

From a policy perspective, it is important to ask:

- What is the goal of reviewing past conduct, if not learning from past mistakes so that government agencies can be more effective?
- What should be the next steps in combating Hezbollah's hybrid threat networks, specifically in Latin America?

The most obvious lesson learned from the debate that followed the publication of *Politico's* investigation is that even its most fervent detractors did not dispute the underlying assumptions of Project Cassandra's former officials interviewed for the story, namely that Hezbollah's terror-crime nexus is significant, ongoing, and central to the senior leadership's strategy of funding its terror activities. Hezbollah, in other words, acts as a global criminal syndicate in addition to being a terror organization currently involved in large-scale atrocities in the Middle East.

Learning from the successes and failures of nearly two decades of law enforcement, sanctions, economic warfare, intelligence gathering, and diplomacy can offer suggestions on how to move forward and more effectively combat Iran's and Hezbollah's networks in the Western Hemisphere.

WHAT DO WE LEARN FROM THESE CASES?

1. Iranian and Hezbollah Operatives Seek Dual Citizenship

Iranian agents and Hezbollah's BAC and ESO operatives prize multiple passports, preferably from Western countries, to cross borders seamlessly, establish companies, and when necessary settle in multiple jurisdictions. Iranians involved in both acts of terrorism and sanctions evasion methodically seek passports of convenience to fly under the radar of anti-money laundering and terror finance monitoring mechanisms. I covered this subject extensively in a February 2016 testimony before the House Committee on Oversight and Government Reform.⁹⁸

Much like Hezbollah, Iran has relied on Iranian expatriates to pursue a variety of nefarious projects. It has dispatched executives of government-owned companies abroad to acquire

⁹⁷ U.S. Department of Justice, Press Release, "Acting Assistant Attorney General Jon P. Cronan Delivers Remarks at the 35th International Drug Enforcement Conference," April 10, 2018. (<https://www.justice.gov/opa/pr/acting-assistant-attorney-general-john-p-cronan-delivers-remarks-international-drug>)

⁹⁸ Emanuele Ottolenghi, "The Role of Iranian Dual Nationals in Sanctions Evasion," *Testimony before the House Committee on Oversight and Government Reform*, February 10, 2016. (<https://oversight.house.gov/wp-content/uploads/2016/02/2016-02-10-Ottolenghi-Testimony-Bio.pdf>)

permanent residence and citizenship. It has also leveraged friendly relations and exploited citizenship-by-investment programs (CIP) to equip its agents with second passports. A non-Iranian passport generally draws less scrutiny at border crossings and makes it easier for a dual-passport holder to open foreign bank accounts, incorporate companies, and conduct financial operations overseas. The same is true for Lebanese citizens.

A number of Iranians, for example, were granted citizenship by Bosnia and Herzegovina during the 1992-1995 civil war. According to Shaul Shay, the author of *Islamic Terror and the Balkans*, “The Mujahidin fighters were either recognized as legal citizens following marriage to local women or were granted citizenship for their contribution to the Bosnian Muslim nation during the war.”⁹⁹ These included officials from the Islamic Revolutionary Guard Corps, military, and intelligence.¹⁰⁰

Bosnian passports have provided Iranians with the ability to enter and exit a country bordering the European Union that has since applied for EU membership and has enjoyed an Association Agreement with it since 2008. Since 2010, Bosnian citizens with a biometric passport also enjoy visa-free travel within the EU’s Schengen Area.

Venezuela offers another, more recent instance in which diplomatic ties and Iranian economic largesse provided access to second passports. For over a decade now, Venezuela has provided passports and other identity documents to non-Venezuelan nationals, including many from Middle Eastern countries. In a July 2006 testimony to the Subcommittee on International Terrorism and Non-Proliferation of the House Foreign Affairs Committee, Mr. Frank C. Urbancic, Jr., then principal deputy coordinator at the State Department’s Office of the Coordinator for Counterterrorism, said:

Venezuelan travel and identification documents are extremely easy to obtain by persons not entitled to them, including non-Venezuelans. Passports and national ID cards are available for sale in the requester's identity, or another, if so desired. The systems and processes for issuing these documents are corrupted on various levels: alien smuggling rings use confederates in the issuing entities to make documents available in large numbers to their clients; freelancers in those entities capitalize on lax or non-existent controls to sell documents for personal gain; forgers alter passports with child-like ease; and most worrisome, Venezuelan Government officials direct the issuance of documents to ineligible individuals to advance political and foreign policy agendas.¹⁰¹

⁹⁹ Shaul Shay, *Islamic Terror and the Balkans*, (New Brunswick: Transactions Publishers, 2011), page 69.

¹⁰⁰ Iranian weapons supplies to Bosnia are well documented. Peter Andreas, “The Clandestine Political Economy of War and Peace in Bosnia,” *Bosnian Security after Dayton: New Perspectives*, Ed. Michael A. Innes, (Abingdon, UK: Routledge, 2006).

¹⁰¹ Frank Urbancic Jr., “Prepared Statement” for “Venezuela Terrorism Hub of South America?” Hearing before the Subcommittee on International Terrorism and Proliferation of the Committee on International Relations of the House of Representatives, July 13, 2006.

(http://commdocs.house.gov/committees/intlrel/hfa28638.000/hfa28638_0.HTM)

Media reports confirm that these practices are ongoing to the benefit of Iranian and Hezbollah agents. The Brazilian weekly *La Veja*¹⁰² reported in 2015 that Lebanese citizens belonging to Iran's Hezbollah proxy, as well as Iranian nationals, obtained Venezuelan passports at the Venezuelan embassy in Damascus. An exiled Venezuelan police officer formerly seconded to the Venezuelan embassy in Baghdad echoed these reports, claiming that numerous Middle Eastern nationals, mostly Shiite Muslims, obtained Venezuelan documents and birth certificates in exchange for cash during his time in Baghdad.¹⁰³ His story formed the basis of a lengthy 2017 exposé on CNN.¹⁰⁴

Venezuelan passports have given their beneficiaries visa-free access to Mercosur and ALBA countries in Latin America and the Caribbean,¹⁰⁵ placing them within easy reach of U.S. soil.

Numerous Western Hemisphere countries provide foreign nationals with the opportunity to acquire citizenship through investment. Iranian nationals (among others) have exploited these schemes in the past. Passports applications are quick – usually with no residency requirements or even presence in the country. Five Caribbean countries currently offer such programs: St. Kitts and Nevis (the oldest and most popular program), Grenada, Dominica, Antigua and Barbuda, and, since January 1, 2016, St. Lucia.

In 2014, the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN) issued an advisory "to alert financial institutions that certain foreign individuals are abusing the Citizenship-by-Investment program sponsored by the Federation of St. Kitts and Nevis (SKN) to obtain SKN passports for the purpose of engaging in illicit financial activity."¹⁰⁶ The advisory made particular reference to Iranian nationals:

[I]n 2013 the SKN government announced that all Iranian nationals were suspended from participating in the SKN Citizenship-by-Investment program. Despite this public assurance, FinCEN believes that **Iranian nationals** continue to obtain passports issued through the program. As a result of these lax controls, illicit actors, **including individuals intending to use the secondary citizenship**

¹⁰² "Venezuela sold non-existent air tickets for 'aeroterror' flight," *La Veja International*, March 25, 2015. (<http://vejainternational.com/news/venezuela-sold-non-existent-air-tickets-for-aeroterror-flight/>)

¹⁰³ "Diplomatico Venezolano Denuncio la Entrega de Documentos a Terroristas (Venezuelan diplomat denounced the delivery of documents to terrorists)," *Infobae* (Argentina), November 24, 2015. (<http://www.infobae.com/2015/11/24/1772058-diplomatico-venezolano-denuncio-la-entrega-documentos-terroristas>)

¹⁰⁴ "¿Pasaportes venezolanos en venta? (Venezuelan Passports for Sale?)," *CNN*, accessed April 12, 2018. (<https://www.cnn.com/videos/spanish/2017/02/07/cnnee-conclusiones-pasaportes-en-la-sombra-uno.cnn>); Scott Zamost, Drew Griffin, Kay Guerrero and Rafael Romo, "Venezuela may have given passports to people with ties to terrorism," *CNN*, February 14, 2017. (<https://www.cnn.com/2017/02/08/world/venezuela-passports-investigation/index.html>)

¹⁰⁵ The eleven member countries are Antigua and Barbuda, Bolivia, Cuba, Dominica, Ecuador, Grenada, Nicaragua, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Venezuela.

¹⁰⁶ U.S. Department of the Treasury, Financial Crimes Enforcement Network, "Advisory: Abuse of the Citizenship-by-Investment Program Sponsored by the Federation of St. Kitts and Nevis," May 20, 2014. (https://www.fincen.gov/statutes_regs/guidance/html/FIN-2014-A004.html)

to evade sanctions, can obtain an SKN passport with relative ease.¹⁰⁷ (Emphasis added)

A case involving three Iranians – Houshang Farsoudeh, Houshang Hosseinpour, and Pourya Nayebi – likely spurred the 2014 FinCen advisory. Treasury designated the trio on February 6, 2014, for facilitating “deceptive transactions for or on behalf of persons subject to U.S. sanctions concerning Iran.”¹⁰⁸ Although they have since benefited from sanctions relief from the Iran deal, in December 2016 a criminal complaint named them as unindicted co-conspirators in a fraudulent scheme to launder \$1.7 billion through South Korea and their companies in the Gulf and the Republic of Georgia in a case prosecuted in Anchorage, Alaska.¹⁰⁹

Just last month, on March 20, U.S. law enforcement agencies arrested Ali Sadr, another Iranian national with a St. Kitts and Nevis passport, on charges of evading Iran sanctions by laundering \$115 million from Venezuela through U.S. banks.¹¹⁰

Second passports are also critical assets for Hezbollah BAC and ESO operatives. Every Hezbollah operative in the TBA that Treasury sanctioned in 2004 and 2006 is a dual national of Lebanon and Paraguay – in some cases, like the aforementioned Samer Atoui, they also held a Brazilian passport. Virtually every indicted Hezbollah operative and facilitator involved in terror plots, terror finance schemes, weapons and technology procurement, trade-based money laundering, and drug-trafficking on behalf of Hezbollah was a dual national of Lebanon and another country:

- Chekry Mohamad Harb, the suspected BAC operative working under Abdallah Safieddine with Colombian cartels identified by Operation Titan, is a dual Colombian-Lebanese national.
- Moussa Ali Hamdan, the ESO operative indicted alongside Hassan Hodroj in 2009 and captured in the TBA in 2010, is a dual Lebanese-U.S. national.
- Kassem Tajideen, sanctioned by Treasury in 2009 and arrested in March 2017 for his material support of Hezbollah through his companies, is a dual Belgian-Lebanese national.
- Sheikh Bilal Mohsen Wehbe, the cleric whom Treasury sanctioned in 2010 as Hezbollah’s chief representative in Latin America,¹¹¹ is a dual Brazilian-Lebanese national.
- Ayman Joumaa, indicted in 2011 for his role in the Lebanese-Canadian bank case, is a dual Colombian-Lebanese national.

¹⁰⁷ U.S. Department of Treasury, Financial Crimes Enforcement Network, “Advisory: Abuse of the Citizenship-by-Investment Program Sponsored by the Federation of St. Kitts and Nevis,” May 20, 2014.

(https://www.fincen.gov/statutes_regs/guidance/html/FIN-2014-A004.html)

¹⁰⁸ U.S. Department of the Treasury, Press Release, “Treasury Targets Networks Linked to Iran,” February 6, 2014. (<https://www.treasury.gov/press-center/press-releases/Pages/jl2287.aspx>)

¹⁰⁹ Indictment, *United States vs. Kenneth Zong*, No. 2 CR 142 (SLG – DMS) (USAO 2016). (Accessed via Pacer); see also: Zach Dorfman, “The Ayatollah’s Billion-Dollar Alaskan Bag Man” *Politico Magazine*, July 14, 2017. (<https://www.politico.com/magazine/story/2017/07/14/iran-money-laundering-kenneth-zong-215372>)

¹¹⁰ Indictment, *United States vs. Ali Sadr Hashemi Nejad*, No. 4 CR 224 (IDD). (S.D.N.Y 2018). (Accessed via Pacer)

¹¹¹ U.S. Department of the Treasury, Press Release, “Treasury Targets Hizballah Financial Network,” December 9, 2010. (<https://www.treasury.gov/press-center/press-releases/Pages/tg997.aspx>)

- Hussein Atris, an ESO operative arrested in Thailand in 2012 in conjunction with a cache of 10,000 pounds of urea-based fertilizer and 10 gallons of ammonium nitrate, is a dual Swedish-Lebanese national.
- Mouhamad Hassan Mouhamad El Husseini, the ESO operative who carried out the July 2012 terror attack in Burgas, Bulgaria, where five Israeli tourists and their Bulgarian bus driver were murdered, was a dual French-Lebanese national.
- Hossam Taleb Yaacoub, an ESO operative arrested in Cyprus in 2013 while conducting surveillance for terror targets against Israeli tour buses, is a dual Swedish-Lebanese national.
- Ali Fayad, arrested in Prague in 2014 in a DEA sting operation, is a dual Lebanese-Ukrainian national. His partner Fauzi Jaber, who was subsequently extradited to the United States in 2016, is an Ivorian-Lebanese dual national.
- Hussein Bassam Abdallah, another ESO operative also arrested in Cyprus, in 2015, had 8.2 tons of ammonium nitrate stored in First Aid ice packs in his rented apartment. He is a dual Canadian-Lebanese national.
- Iman Kobeissi, the businesswoman arrested in Atlanta in November 2015 while trying to arrange the sale of African blood diamonds inside the United States, is a dual French-Lebanese national.
- Ali Mohamad Kourani, indicted in May 2017 for giving material support to Hezbollah and plotting terror attacks on U.S. targets, is a dual Lebanese-U.S. national. In his indictment, the role of a second passport becomes evident. One of the first instructions he received from his Hezbollah handler in Lebanon was “to obtain U.S. citizenship and a U.S. passport as soon as possible.”¹¹²

This pattern is impossible to ignore and needs to be taken into account for the purposes of border security and immigration policy. Simply put: Iran and Hezbollah rely on their nationals to fraudulently obtain U.S. permanent residency status or citizenship, and citizenship of other countries so that dual passport holders can enter Western jurisdictions for the purpose of carrying out acts of terrorism, terror finance, or criminal activities. As long as this threat persists, all dual nationals of Lebanon and Iran applying for citizenship, permanent residency, visas, or visa-free entries through Electronic System for Travel Authorization applications must be subjected to enhanced scrutiny. Restrictive measures introduced by the Obama administration in early 2016 already apply to Iranian dual nationals of visa-waiver program countries.

These measures should apply to Lebanese dual nationals of visa-waiver program countries as well. A thorough review of permanent residency and citizenship applications from nationals of Iran and Lebanon should also be undertaken. As long as Western Hemisphere countries harbor extensive Hezbollah and Iran hybrid threat networks run by dual nationals, none of these countries should be able to participate in the visa-waiver program to enter the United States.

Finally, all the aforementioned cases highlight the level of sophistication Iranian and Hezbollah operatives have in both their training and the tools at their disposal. None of those mentioned entered into, dispatched drugs to, or plotted terror attacks against the United States by coming into the country through the backdoor as clandestine, illegal migrants. They exploited weaknesses in

¹¹² Indictment, *United States vs. Ali Kourani*, No. 7 CR 417 (AKH) (S.D.N.Y 2017). Page 12. (Accessed via Pacer)

immigration policy and airport security systems to travel to, reside in, or transact through the United States. Much like in other jurisdictions, Hezbollah operatives who target the United States or use the United States as a staging ground for trade-based and real estate based money-laundering come in through the front door, with a legitimate passport and a credible business cover story.

2. *Networks Are Global*

Another sign of sophistication: Especially when it comes to terror finance and trade-based money laundering, both Iranian and Hezbollah networks are global. Terror finance and terror plotting tend to overlap with the global map of expatriate communities and their commercial activities; networks intersect with communal and religious institutions, whose leaders are deeply involved not just with soft power outreach to both community members and proselytes, but also in supervising hard power activities such as counterintelligence and logistical support for terrorists.

Both the Ayman Joumaa and Tajideen networks spanned several continents. Iman Kobeissi boasted of connections in numerous African and European countries. Trade-based money laundering in the TBA relies on front companies and shipments that originate in China and Florida, as I have discussed in previous testimonies in June 2016,¹¹³ May 2017,¹¹⁴ and November 2017.¹¹⁵

Fayad's associates met undercover DEA agents in Africa, where they had well-established connections they could leverage to run their drug-trafficking operations.

Kourani travelled to Guangzhou, China, in May 2009, likely to procure the ammonium nitrate-based First Aid packs later seized in both Thailand and Cyprus. Hezbollah has a growing commercial presence in Guangzhou, Shenzhen, and Hong Kong, which serves the purpose of buying merchandise for trade-based money laundering scheme, and may have assisted Kourani in his shopping trip.

The aforementioned Bilal Mohsen Wehbe, the cleric whom Treasury named as Hezbollah's representative to Latin America, has overseen Hezbollah's counterintelligence activity in the TBA.¹¹⁶

Sheikh Ghassan Yousif Abdallah, a Lebanese cleric who lives in Foz do Iguassu, is the brother of U.S.-sanctioned Muhammad Yousif Abdallah, who also resides in Foz. Treasury designated Muhammad Abdallah in 2006 and identified him as the owner and manager of the Galeria Pagé in Ciudad Del Este. At the time, Treasury viewed him as a senior Hezbollah leader in the TBA who hosted fundraisers for the terror group, personally carried money to Lebanon, met with Hezbollah's

¹¹³ Emanuele Ottolenghi, "The Enemy in our Backyard: Examining Terror Funding Streams from South America," *Testimony before the House Committee on Financial Services*, June 8, 2016.

(<https://financialservices.house.gov/uploadedfiles/hhrg-114-ba00-wstate-eottolenghi-20160608.pdf>)

¹¹⁴ Emanuele Ottolenghi, "Emerging External Influences in the Western Hemisphere," *Testimony before the Senate Foreign Relations Committee*, May 10, 2017.

(https://www.foreign.senate.gov/imo/media/doc/051017_Ottolenghi_Testimony.pdf)

¹¹⁵ Emanuele Ottolenghi, "Examining the Effectiveness of the Kingpin Designation Act in the Western Hemisphere," *Testimony before the House Foreign Affairs Committee*, November 8, 2017.

(http://www.defenddemocracy.org/content/uploads/documents/11-08-17_Ottolenghi_Written_Testimony.pdf)

¹¹⁶ U.S. Department of the Treasury, Press Release, "Treasury Targets Hizballah Financial Network," December 9, 2010. (<https://www.treasury.gov/press-center/press-releases/Pages/tg997.aspx>)

security division to coordinate Hezbollah activities in the TBA, and also engaged in a variety of financial crimes, including “the import of contraband electronics, passport falsification, credit card fraud, and trafficking counterfeit U.S. dollars.”¹¹⁷

Chilean government sources personally confirmed to me that, much like his brother, Ghassan Abdallah is linked to Hezbollah. He is active in Chile through the local Shi’a center in the capital Santiago,¹¹⁸ and once ran the Shi’a mosque in Ciudad Del Este,¹¹⁹ which his brother helped establish. Ghassan Abdallah is also associated with the Foz do Iguassu Imam Khomeini mosque and was one of a handful of Latin American-based Shi’a clerics to attend the Ahlul Bayt World Assembly international gathering in Qom in August 2007 – an indication of his senior rank and closeness to the office of the supreme leader, under whose auspices the Assembly operates.¹²⁰

The United States is thus confronted by formidable enemies, who are ingenious and versatile in their craft. It needs to respond with ingenuity and versatility, overcoming obsolete conceptions and adapting to the hybrid nature of the threat it faces.

3. *Hezbollah Has Deep Ties to Transnational Organized Crime*

Project Cassandra’s main thrust was that Hezbollah is not just a terror organization. It is also a global criminal syndicate. Aforementioned cases make it abundantly clear. The Harb indictment and the subsequent Treasury designations of 2009 parsed over his Hezbollah connection, but his link to the Medellin cartels through his associate Francisco Antonio Florez Upegui is indisputable.¹²¹ Meanwhile, investigators involved in his case openly acknowledged the Hezbollah connection. The *Los Angeles Times* quoted Gladys Sanchez, lead investigator for the special prosecutor’s office in Bogota, as saying, “The profits from the sales of drugs went to finance Hezbollah.”¹²² Harb was not the only instance where Hezbollah and Colombian cartels interfaced; the 2011 Joumaa indictment revealed that a Hezbollah network was laundering money for Colombian and Mexican drug cartels.¹²³

¹¹⁷ U.S. Department of the Treasury, Press Release, “Treasury Targets Hezbollah Fundraising Network in the Triple Frontier Region of Argentina, Brazil, and Paraguay” December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>)

¹¹⁸ “Sheij Ghassan Abdallah,” *Centro Cultura Islamica Chile: Corporacion de Cultura y Beneficencia Islamica* (Chile), accessed June 6, 2016. (<http://islamchile.com/home/sheij-ghassan-abdallah/>)

¹¹⁹ Associação Religiosa Beneficiente Islamica no Brasil, “Quarto Encontro Internacional da Assembléia Mundial Ahlul Bait (A.S.) (Fourth Meeting of the International World Ahlul Bayt Assembly),” August 18, 2007. (http://www.mesquitadobras.org.br/not_vis.php?op=9&cod=10&pagina=28)

¹²⁰ Associação Religiosa Beneficiente Islamica no Brasil, “Quarto Encontro Internacional da Assembléia Mundial Ahlul Bait (A.S.) (Fourth Meeting of the International World Ahlul Bayt Assembly),” August 18, 2007. (http://www.mesquitadobras.org.br/not_vis.php?op=9&cod=10&pagina=28)

¹²¹ U.S. Department of the Treasury, Press Release, “Treasury Designates Medellin Drug Lord Tied to Oficina de Enviagado Organized Crime Group,” July 9, 2009. (<https://www.treasury.gov/press-center/press-releases/Pages/tg201.aspx>)

¹²² Chris Kraul and Sebastian Rotella, “Drug probe finds Hezbollah link,” *Los Angeles Times*, October 22, 2008. (<http://articles.latimes.com/2008/oct/22/world/fg-cocainering22>)

¹²³ U.S. Department of the Treasury, Press Release, “Treasury Targets Major Lebanese-Based Drug Trafficking and Money Laundering Network,” January 26, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1035.aspx>); see also: U.S. Department of the Treasury, Press Release, “U.S. Charges Alleged Lebanese Drug Kingpin with Laundering Drug Proceeds for Mexican and Colombian Drug Cartels,” December 13, 2011. (<https://www.justice.gov/archive/usao/vae/news/2011/12/20111213joumaanr.html>)

Connections to organized crime go beyond Colombia. The 2014 *O Globo* aforementioned investigation exposed a link between Hezbollah and the PCC. The Ali Fayad and Iman Kobeissi cases both exposed connections to criminal organizations in Europe and Africa. The Chamas case exposed links to drug-trafficking rings in Turkey and, possibly, Iran.

A more recent January 2017 Italian investigation into organized crime points to another possible Hezbollah connection to organized crime – with the *'Ndrangheta*, the southern Italian criminal syndicate from Calabria. Italian authorities arrested dozens of members of a network that intended to bring a record eight tons of cocaine, hidden under bananas, from Colombia to the southern Italian port of Gioia Tauro.¹²⁴ Local media highlighted the budding partnership between Colombian cartels and the Calabrese mob, but also mentioned a Lebanese national,¹²⁵ whom the Italian prosecutor's indictment names as working for the Colombian side of the deal, though he permanently resides in Italy, specifically as the person in charge of transferring cocaine payments from the Calabrese mafia to the Colombians.¹²⁶ The indictment also indicates that initial payments were made from Lebanon.

Though a Hezbollah link is still unproven, it is unusual for a clan-based, tightly knit criminal syndicate such as the Calabrese mob to rely on outsiders, especially with their money. It is not unusual, on the other hand, for the Colombian cartels to rely on Hezbollah to launder their proceeds.¹²⁷

Another common element: The Lebanese national implicated in this case ran a used car import-export business in Italy. The Joumaa network leveraged used car businesses in the United States to generate profit through sales of cars to West Africa.¹²⁸ Even after the Joumaa case, used cars remained an important part of Hezbollah's money laundering schemes through West Africa. In an April 20, 2015, conversation recorded in her criminal complaint, Iman Kobeissi told U.S. undercover agents that a money-laundering associate based in Cotonou, Benin, "deals with the sale of thousands of vehicles in Benin and would be able to launder funds for a 15 percent commission rate."¹²⁹ The laundering scheme that the Ayman Joumaa and Canadian-Lebanese bank cases had supposedly stopped is still up and running.

¹²⁴ "Operazione Stammer contro traffico internazionale cocaina, a febbraio la requisitoria del pm (Operation Stammer against international traffic cocaine, in February the indictment of the pm)," *Il Lametino* (Italy), December 4, 2017. (<http://www.lametino.it/Cronaca/operazione-stammer-contro-traffico-internazionale-cocaina-a-febbraio-la-requisitoria-del-pm.html>)

¹²⁵ "Ecco chi tracciava le rotte della cocaina per la 'ndrangheta (Meet those who traced cocaine routes for the 'ndrangheta)," *Il Giorno* (Italy), February 1, 2017. (<https://www.ilgiorno.it/monza-brianza/cronaca/ndragheta-cocaina-1.2861396>)

¹²⁶ Procura della Repubblica di Catanzaro, Direzione Distrettuale Anti-Mafia, "Fermo di indiziato di delitto del Pubblico Ministero, Procedimento Penale 9444/14 RG.N.R. mod. 21 ODA - operazione "Stammer". Obtained from confidential source.

¹²⁷ U.S. Department of the Treasury, Press Release, "Treasury Designates A Medellín, Colombia-based Drug Money Laundering Network With Ties To La Oficina De Envigado And Ayman Saied Joumaa," July 1, 2014. (<https://www.treasury.gov/press-center/press-releases/Pages/jl250.aspx>)

¹²⁸ Jack Cloherty and Richard Esposito, "Feds: Hezbollah Gets Into the Used Car Business," *ABC News*, February 11, 2011. (<http://abcnews.go.com/Blotter/hezbollah-car-business/story?id=12893001>)

¹²⁹ Complaint, United States v. Iman Kobeissi, No. S(1) Cr. 962 (JO),(E.D.N.Y). Page 13 (Accessed via Pacer).

That may again have to do less with political malice and more with a partial disconnect between law enforcement and intelligence sides of the state apparatus. The extensive connections discussed require the U.S. intelligence and law enforcement communities to redouble their efforts to cooperate more closely and work better in de-conflicting and intelligence sharing.

4. Hezbollah Network Is Equal Parts Terror and Crime

An obvious point that emerges from court cases and sanctions designations against Hezbollah operatives is that Hezbollah networks are equal part terror and crime. The TBA Hezbollah operation is a perfect example of that – its designated members were cited for multiple activities that included trading in counterfeited goods, including passports and currency, money-laundering, and fundraising for Hezbollah. But they were also engaged in paramilitary activities, offered logistical support to the largest terror operation mounted by Hezbollah outside the Middle East, and gave safe haven to terror fugitives.

That terror attack was the 1994 AMIA bombing. Its perpetrators relied on logistical support from Hezbollah's terror finance networks in the TBA. The close relationship between ESO agents and the terror financiers Hezbollah has permanently dispatched to Latin America was confirmed by Dib Hani Harb, one of the individuals indicted alongside Hassan Hodroj (and Moussa Ali Hamdan) in 2009. In April 2009, Harb, who is the son-in-law of Hassan Hodroj, told an undercover agent he met in Florida that Hezbollah maintains cells throughout the world. He cited the AMIA bombing as an example of the work of one of these cells.¹³⁰ When his partner, Moussa Ali Hamdan, sought to elude capture after his activities had been exposed and he and his associates had been indicted, he found refuge among the Shi'a Lebanese in the TBA.

These cases, where terror planning and financial crimes overlap, are indeed not unique, as evidenced by Samer el Debek's aforementioned indictment. He was dispatched to inspect possible targets in Panama but also asked to familiarize himself with drone components that could be bought in the United States.

The conclusion, for U.S. policymakers, as well as intelligence and law-enforcement agencies, should be that the barrier between counterterrorism and organized crime, which likely never existed in the minds of terrorists, must also come down in the way government understands its adversaries, organizes itself, and shares information among its components to pursue and neutralize threats to national security.

5. Narcoterrorism and the Terror-Crime Nexus May Be Hezbollah's Principal Source of Funding
This conclusion is even more urgent when the volume of money generated by the crime-terror nexus is fully appraised.

¹³⁰ Indictment, *United States vs. Hassan Hodroj et al.*, No. 4 CR 744 (LS) (E.D.P.A 2009). (Accessed via Pacer).

At the time when Treasury sanctioned Hezbollah's TBA networks in 2004,¹³¹ and then again in 2006,¹³² it was estimated that revenue generated through trade-based money laundering and other illicit activities in the TBA yielded roughly \$10 million for Hezbollah, out of an estimated budget of \$100 million a year. A 2004 Naval War College study assessed that "Hezbollah, whose annual operating budget is roughly one hundred million dollars, raises roughly a tenth of that in Paraguay."¹³³ A 2009 RAND study doubled the estimate of money raised mainly in the TBA to \$20 million.¹³⁴ Regardless of the accuracy of these estimates, Hezbollah's operating expenses have mushroomed since the early 2000's. Hezbollah's financial needs have grown significantly since then, mainly due to the damage suffered in its 2006 war with Israel and, since 2011, due to its deepening involvement in the Syrian civil war.¹³⁵ Iran's funding has grown along with Hezbollah's needs, but the ebbs and flows of Iranian support,¹³⁶ combined with pressure from U.S. measures that began hitting Hezbollah's finances in Lebanon in 2015, have meant that Hezbollah's reliance on alternative funding streams has become more critical to its operational needs. A September 2017 assessment of Hezbollah finances published by two of my colleagues concluded that Hezbollah's overseas financial networks now contribute an estimated 20-30 percent of their overall operating budget, which my colleagues conservatively estimated to be around \$1 billion a year.¹³⁷

In fact, it may be much more.

In her conversations with undercover agents, Iman Kobeissi discussed the typical commission she would levy for helping criminals launder money. When undercover agents gave her cash to launder back into an account she believed to be controlled by narco-traffickers, she retained a 20 percent commission. When she mentioned a business associate involved in the used car business in Benin, she indicated he would levy a 15 percent commission.

With those percentages, the size of Hezbollah's money laundering operations become much more significant than they were when Treasury first targeted its TBA network in 2004. The Joumaa operation alone was moving \$200 million a month – a 20% commission amounts to \$480 million a year. Chekry Harb, according to the *Los Angeles Times*, "washed hundreds of millions of dollars

¹³¹ U.S. Department of the Treasury, Press Release, "Treasury Designates Islamic Extremist, Two Companies Supporting Hezbollah in Tri-Border Area," June 10, 2004. (<https://www.treasury.gov/press-center/press-releases/Pages/js1720.aspx>)

¹³² U.S. Department of the Treasury, Press Release, "Treasury Targets Hizballah Fundraising Network in the Triple Frontier of Argentina, Brazil, and Paraguay," December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>)

¹³³ Paul D. Taylor, "Latin American Security Challenges: A Collaborative Inquiry from North and South," *Naval War College Newport Papers*, accessed May 6, 2017. (<https://www.usnwc.edu/Publications/Naval-War-College-Press/-Newport-Papers/Documents/21-pdf.aspx>)

¹³⁴ Gregory F. Treverton, Carl Matthies, Karla J. Cunningham, Jeremiah Goulka, Greg Ridgeway, and Anny Wong, "Film Piracy, Organized Crime, and Terrorism," *RAND Safety and Justice Program and the Global Risk and Security Center*, 2009. (http://www.rand.org/content/dam/rand/pubs/monographs/2009/RAND_MG742.pdf)

¹³⁵ Matthew Levitt, "The Crackdown on Hezbollah's Financial Network," *The Wall Street Journal*, June 27, 2016. (<https://blogs.wsj.com/washwire/2016/01/27/the-crackdown-on-hezbollahs-financing-network/>)

¹³⁶ Oren Kessler and Rupert Sutton, "Hezbollah threatened by Iran's Financial Woes," *World Affairs Journal*, June 3, 2014. (<http://www.worldaffairsjournal.org/article/hezbollah-threatened-iran%E2%80%99s-financial-woes>)

¹³⁷ Yaya J. Fanusie and Alex Entz, "Hezbollah Financial Assessment," *Foundation for Defense of Democracies*, September 2017. (http://www.defenddemocracy.org/content/uploads/documents/CSIF_TFBB_Hezbollah.pdf)

a year.” Again, a 15-20% commission would put Hezbollah’s revenue just from this operation well above \$100 million a year.

In July 2016, Brazilian authorities arrested Fadi Hassan Nabha, a former Hezbollah Special Forces member wanted for drug trafficking. Brazil did not comment on his Hezbollah links, nor was he prosecuted under terrorism charges, since Brazil does not consider Hezbollah to be a terror group. Nevertheless, Nabha had a long history of drug trafficking – he was first arrested in 2003, in São Paulo, Brazil, in an operation where 42 kilos of cocaine were seized.¹³⁸ Media reports quoting police sources said at the time of the arrest Nabha’s group was moving between 400 kilos and one ton of cocaine per month, which he and his associates bought, on the Brazilian side of the TBA, at \$2,000 per kilo and sold in Brazil for \$4,500 or in Lebanon for \$60,000 – these are 2003 prices.¹³⁹

Finally, the Chamas case indicated that Lebanese traffickers pay a \$10,000 per kilo of cocaine transit fee to Hezbollah when shipments arrive to Beirut’s Rafic Hariri International Airport.¹⁴⁰

Taken together, these are staggering figures. They are the tip of the iceberg. After all, these are just a handful of operations that were thwarted. Besides, Hezbollah’s ability to generate hundreds of millions a year, if not more, in revenue from the sale of cocaine alone does not take into account all the other criminal activities Hezbollah is involved in – which include the sale of contraband tobacco,¹⁴¹ the trade in captagon,¹⁴² blood diamonds¹⁴³ and illicit timber¹⁴⁴ in Africa, among other things. These revenues help the terror group arm its fighters with increasingly sophisticated weapons in Syria’s fields of battle; pay pensions to the families of the fallen; rebuild the country after every war with Israel; buy their influence in countries where political protection and corrupted officials help their networks operate; plot terror attacks abroad; and much more.

CONCLUSION AND RECOMMENDATIONS

¹³⁸ “Polícia prende dois libaneses com 42 quilos de cocaína (Police apprehend two Lebanese with 42 kilos of Cocaine),” *Folha de S. Paulo* (Brazil), January 23, 2003.

(<http://www1.folha.uol.com.br/folha/cotidiano/ult95u67289.shtml>)

¹³⁹ “Denarc apreende cocaína de máfia libanesa (Denarc seizes cocaine from Lebanese mafia),” *Agência Estado* (Brazil), January 23, 2003. (<http://brasil.estadao.com.br/noticias/geral,denarc-apreende-cocaina-da-mafia-libanesa,20030123p4658>)

¹⁴⁰ *Factual Proffer*, United States vs. Ali Issa Chamas, No. 16 Cr. 20913 (KMW), (F.L.S.D 2017). (Accessed via Pacer)

¹⁴¹ A 2016 report published by Israel’s ministry of health on tobacco issues in Israel states that, “illicit trade of tobacco constitutes an important source of funding for Hezbollah.” Israel Ministry of Health, “דו״ח שר הבריאות על העישון בישראל 2015 (Report of the Minister of Health on Smoking in Israel),” May 2016, Page 134.

¹⁴² Boaz Ganor and Miri Halperin Wernli, “Hezbollah and the Traffic in Counterfeit Captagon,” *Jerusalem Post* (Israel), June 29, 2015. (<http://www.jpost.com/Opinion/Hezbollah-and-the-traffic-in-counterfeit-Captagon-407513>)

¹⁴³ U.S. Department of the Treasury, Press Release, “Treasury Targets Hizballah Financial Network,” May 27, 2009. (<https://www.treasury.gov/press-center/press-releases/Pages/tg149.aspx>). According to Treasury, the businessman targeted in their designation, Kassim Tajideen, was arrested in Belgium in connection to “fraud, money laundering and diamond smuggling.”

¹⁴⁴ “US Consumers Buying Millions of Dollars-Worth of Luxury Timber Linked to Hezbollah Financiers, Global Witness Reveals,” *Global Witness*, February 9, 2017. (<https://www.globalwitness.org/en/press-releases/us-consumers-buying-millions-dollars-worth-luxury-timber-linked-hezbollah-financiers-global-witness-reveals/>)

Mr. Chairman, sanctions and designations alone cannot put an end to Hezbollah's financial operations in the Western Hemisphere. However, when combined with other tools, they can be very effective.

With this in mind, the following are a number of policy recommendations to hit Hezbollah with the full arsenal of U.S. sanctions and law enforcement tools:

UPDATE EXISTING SANCTIONS AGAINST HEZBOLLAH TERROR FINANCE NETWORKS

While the U.S. government has, over the years, developed remarkably sharp and effective tools to counteract Hezbollah's terror finance threat, using these tools in a manner that will outsmart Hezbollah and disrupt its cash flows to cause irreparable damage to the terror group's finances remains a challenge.

Congress can help address this challenge by swiftly reconciling the House and Senate versions of the 2017 HIFPAA. This legislation combines and complements in one bill all existing tools from sanctions to designations and prosecutions. By passing HIFPAA, Congress will make the Kingpin Act and other existing tools more effective.

Treasury also needs to update and expand existing sanctions against Hezbollah operatives in the TBA and other Latin American countries. Such sanctions need to be accompanied by vigorous and continuous enforcement, including periodic designations of new individuals and entities and successful prosecutions of cases. In previous testimonies, I highlighted how Hezbollah's TBA businesses may be using front companies in south Florida to launder money. These activities must be investigated and prosecuted. Facilitators must be punished with the full panoply of tools available to the U.S. government – including visa bans against corrupt officials.

TARGET ENABLERS WITH GLOBAL MAGNITSKY AND HIFPAA

Mr. Chairman, another factor behind Hezbollah's success is its reliance on influence and access to local politicians, law enforcement, judges and prosecutors, airport security, and other officials in Latin American countries, to buy their silence and complicity. In my November 2017 testimony before the Subcommittee on the Western Hemisphere of the House Foreign Affairs Committee, I mentioned the case of a possible corrupt official inside Paraguay's government who, in exchange for bribes, allegedly helped companies in the U.S. Treasury-sanctioned Galeria Pagé conceal their public records.

The U.S. government can use the Global Magnitsky Act of 2016 to punish this official, or any other foreign dignitary engaged in corrupt practices to the benefit of Hezbollah. HIFPAA would also be a very important tool in the arsenal of the United States to punish corruption and complicity through the provision of services with a variety of measures, including the denial or revocation of visas to the United States.

HIFPAA also would reduce the threshold for designating individuals who may not conclusively be members of Hezbollah, yet are clearly facilitators and enablers of its activities. This measure

would permit U.S. authorities to go after companies, financial institutions, accounting and legal firms, virtual office service providers, and others who enable Hezbollah's terror finance. For these actors, it will be more difficult to continue to operate outside the financial system once the United States slaps sanctions on them.

SANCTION HEZBOLLAH AND ITS SENIOR LEADERSHIP WITH TCO AND KINGPIN DESIGNATIONS

The United States designated Hezbollah as a terror organization in October 1997. However, its activities as a global criminal enterprise dealing in illicit drugs go mostly unrecognized. I strongly recommend that the U.S. administration designate Hezbollah as both a Transnational Criminal Organization (TCO) and a Global Kingpin. Both designations should not only target the terror group at the organizational level, but also extend to Hezbollah senior leadership involved in deciding, endorsing, religiously justifying, coordinating, and benefiting from, the traffic of illicit substances.

These designations are especially important in countries that do not consider Hezbollah a terrorist organization, as is the case with all the countries in Latin America. Local governments reluctant to prosecute terror financiers may respond more positively to U.S. requests to arrest, prosecute, and extradite individuals implicated in drug trafficking and organized crime. The Hezbollah Kingpin Designation Act¹⁴⁵, currently under consideration in the House Foreign Affairs Committee, is a good place to start.

IMPOSE 311 DESIGNATIONS ON FINANCIAL INSTITUTIONS ASSISTING HEZBOLLAH IN LATIN AMERICA

The continuing business activities of individuals and entities sanctioned by the United States occur because local governments are either reluctant to implement U.S. sanctions or actively cooperate with the terrorists. The administration should demand that they either comply or face consequences. These should include imposing 311 designations¹⁴⁶ on financial institutions used by Hezbollah financiers to move their revenues, designating banking sectors of countries that facilitate Hezbollah's terror finance as zones of primary money laundering concern, and working within international forums like the Financial Action Task Force to have such countries blacklisted.

EMPOWER LAW ENFORCEMENT TO GO AFTER HEZBOLLAH'S GLOBAL FINANCIAL NETWORKS

Sanctions have had some salutary effect in affecting Hezbollah's financial operations. They have named and shamed individuals, companies, and organizations. They have cut off terror entities from the U.S. financial system. They have nudged U.S. allies and the global financial system into compliance. Unfortunately, there remain too many countries in disagreement or disregard of U.S.

¹ Hezbollah Kingpin Designation Act, H.R. 5035, 115th Congress (2018). (<https://www.congress.gov/bill/115th-congress/house-bill/5035>)

¹⁴⁶ U.S. Department of the Treasury, Press Release, "Fact Sheet: Overview of Section 311 of the USA PATRIOT Act," February 10, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1056.aspx>)

policy. Hezbollah terrorists have found permissive havens for their activities in these jurisdictions where U.S. sanctions alone have limited reach.

This is where law enforcement can complement existing sanctions. The cases I mentioned in my written statement all involve a balance of sanctions and prosecution. The combination of tools always works as a force multiplier with coordination among agencies and a shared goal of disrupting Hezbollah's cash flows drive policy.

It is critical, then, that those involved in law enforcement have both the requisite leadership and resources to complete their mission. While heartened by last week's hearing on the nominee for assistant secretary of state for international narcotics and law enforcement affairs, the fact remains that too many critical positions remain unfulfilled or led by officials in an acting capacity. Chief among these is the DEA administrator post. In the midst of an opioid crisis and with cocaine from Latin America flooding over our borders, it should be of the highest priority for this administration to appoint a candidate with the vision and experience to pursue TCOs such as Hezbollah. Equally important, this individual should also have the skills to coordinate government agencies, navigate bureaucracy and build friendships and alliances internationally to be able to rely on foreign agencies' cooperation in running international investigations.

Earlier this year, Attorney General Jeff Sessions announced the creation of the Hezbollah Financing and Narcoterrorism Team (HFNT)¹⁴⁷, a group tasked with investigating the individuals and networks that provide support to Hezbollah. Congress should support this initiative and ensure it has sufficient human and financial resources to revive Project Cassandra. It should initiate hearings in order to hear about the Task Force's findings as well as its progress rebuilding the toolkit needed to successfully target Hezbollah's terror finance networks.

PROVIDE ADDITIONAL RESOURCES TO INTELLIGENCE AND LAW ENFORCEMENT AGENCIES

Hezbollah hybrid threat networks also require the United States to commit additional resources at the operational level, to support law enforcement and intelligence efforts to overcome the challenge they pose. U.S. agents involved in gathering intelligence as well as evidence for cases need to be able to understand not only the language and culture of the countries where they are assigned, but also be well versed in the language, religion, and culture of their Iranian and Hezbollah adversaries. This means breaking old barriers and conceptions about regional command structure and area expertise that inform training and assignment of agents and diplomats to serve overseas. DEA outposts in Latin America, by now, should have fluent speakers of Arabic and Farsi seconded to their Spanish-speaking and Portuguese-speaking colleagues.

PROVIDE ADDITIONAL RESOURCES TO TREASURY

¹⁴⁷ U.S. Department of Justice, Press Release, "Attorney General Sessions Announces Hezbollah Financing and Narcoterrorism Team," January 11, 2018. (<https://www.justice.gov/opa/pr/attorney-general-sessions-announces-hezbollah-financing-and-narcoterrorism-team>)

Mr. Chairman, Treasury needs more resources. OFAC cannot work cases through the system without access to more resources that can enable the bureaucracy to work faster and cast its net wider.

Hezbollah, Mr. Chairman, is a global threat. As John Feltman and Daniel Benjamin said in June 2010 joint testimony before the Senate Foreign Relations Committee's Subcommittee on Near Eastern and South and Central Asian Affairs:

Hezbollah has ... broadened its sources of financial support in recent years. Hezbollah is now heavily involved in a wide range of criminal activity, including the drug trade and smuggling. It also receives funds from both legitimate and illicit businesses that its members operate, from NGOs under its control, and from donations from its supporters throughout the world.”¹⁴⁸

Last month's omnibus package provided funding for the Treasury's Office of Terrorism and Financial Intelligence (TFI) at \$141,788,000, a roughly \$18 million increase from the 2017 enacted level. TFI plays an important role in combating terrorism finance and is crucial to U.S. efforts to maintain effective pressure on Iran. For FY2019, the White House requested \$159 million for TFI as part of its budget request.¹⁴⁹ Congress should support this increased level of funding as well as other efforts to strengthen TFI and other similar infrastructure within the Treasury Department.

There are also important steps in the diplomatic arena that the United States can take.

TARGET FINANCIAL HOLDINGS AND FINANCIAL INSTITUTIONS USED BY HEZBOLLAH TO MOVE MONEY TO AND FROM LATIN AMERICA

U.S. counterterrorism and law enforcement operations against Iranian and Hezbollah networks need to rely on the help and cooperation of multiple foreign governments, in whose jurisdictions these networks operate. This requires coordinating investigations with foreign counterparts, intelligence sharing on a mutual basis, alongside the reliance on incentives and deterrents to ensure that help is rewarded and hindrance is punished. In this respect, the passing of HIFPAA 2017¹⁵⁰ in a reconciled form is an important step forward as it allows the executive branch to exact a price on those foreign facilitators – be they corrupt officials or conniving financial institutions – who are allowing Hezbollah networks to continue to operate inside their own countries.

The governments of Argentina, Brazil, and Paraguay are more receptive than at any time in the past 10 years to U.S. leadership in the fight against terror finance and terrorists' increasingly brazen cooperation with drug cartels and other criminal groups. The United States should therefore

¹⁴⁸ “Assessing the Strength of Hezbollah,” *Hearing before the Subcommittee on Near Eastern and South and Central Asian Affairs of the Senate Committee on Foreign Relations*, June 8, 2010.

(<https://www.gpo.gov/fdsys/pkg/CHRG-111shrg62141/pdf/CHRG-111shrg62141.pdf>)

¹⁴⁹ Executive Office of the President of the United States, Office of Management and Budget, “An American Budget,” February 19, 2018. (<https://www.whitehouse.gov/wp-content/uploads/2018/02/budget-fy2019.pdf>)

¹⁵⁰ Hizballah International Financing Prevention Act of 2015, Pub. L. 114-102, Page 129 STAT 2205, codified as amended at 50 U.S.C §§1701. (<https://www.congress.gov/bill/114th-congress/house-bill/2297/text>); Hizballah International Financing Prevention Act of 2017, Pub 114-102, Page 129 STAT 2205, codified as amended at 50 U.S.C §§1701. (<https://www.congress.gov/bill/115th-congress/senate-bill/1595/text>)

encourage authorities to be more proactive in combating terror finance. Washington should also pursue the same approach adopted by Treasury in the past of reaching out directly to financial institutions.

Based on internal figures that a senior Paraguayan official shared with me, most of the cash flows out of that country go to the United States. Another Paraguayan senior official provided me evidence of dozens of examples of suspicious transactions involving suspect Hezbollah businesses. While I am not able to share these documents publicly due to ongoing investigations, it is clear from those documents that illicit traffickers use the U.S. financial system to launder revenue through tools typical of trade-based money laundering techniques. Banking officials I met during a recent trip to Asuncion expressed anxiety about flaws in their banking system and expressed a willingness to cooperate with U.S. authorities. Facing significant consequences for being on the wrong side of the U.S. Treasury goes a long way towards getting local banks to look at what is happening in their own backyard. The reward of continuing to conduct business with the United States may be leveraged to ensure a higher degree of transparency and information sharing on their part.

BUILD LOCAL CAPACITY WITH REGIONAL ALLIES

Even if the United States were to find areas of cooperation with authorities abroad in combating terror finance, the efficacy of these efforts will rely in part on the capacity of our partners to undertake these operations. Paraguay, for example, needs its armed forces and drug-enforcement agency to build capacity to patrol border areas. The absence of monitoring capabilities through aerial radars in a region where drugs tend to move by small planes is a serious deficiency.

One way the United States can help is to facilitate cross-border cooperation between custom and police authorities. Cooperation and resource sharing are necessary components to combating the threat of transnational organized crime and terrorism. A key area would be intelligence sharing. Terror finance networks thrive in border areas by exploiting weak coordination among governments to patrol their shared borders. The United States can facilitate this cooperation. One important step would be to revive the Regional Intelligence Center established in 2006 to combat transnational crime and corruption in the TBA.¹⁵¹

IMPROVE CONTROLS AT PORTS OF SHIPMENT

As outlined in my testimony, Paraguay's borders may be porous, pointing to significant deficiencies in border and custom controls for shipments into the country by air, land or sea. Initiating more stringent controls and better monitoring of merchandise is desirable and possible. As noted, most problematic shipments by air reach the TBA from two points of departure – Miami International Airport and Dubai (via Dakar). Planes also return to those destinations with considerable cargo. The United States should immediately institute stricter controls over shipments to Ciudad Del Este leaving from Miami, and perform more effective and timely due diligence on companies shipping to the Paraguayan city. The same applies to cargo arriving in the TBA from Dubai via Dakar. Washington is investing considerable energy working with Gulf allies to fight

¹⁵¹ Eric Green, "U.S. 'Pleased' by Creation of South American Intelligence Center," *IIP Digital*, August 24, 2006. (<http://iipdigital.usembassy.gov/st/english/article/2006/08/200608231715051xeneerg0.9045221.html>)

Hezbollah's terror finance. Seeking greater scrutiny over merchandise and its recipients before the weekly cargo leaves Dubai would go a long way to filter illicit shipments and raise the costs for Hezbollah intermediaries in the TBA.

Mr. Chairman, these are my recommendations. I thank you for the opportunity to testify and I look forward to your questions.